ANNUAL REPORT
2007-2008

Contents

Focusing on sustainable development

We are committed to creating a better world for future generations.

With ecological consciousness, we strive to provide a steady supply of environment friendly energy.

We also reach out to people in myriad ways, taking pride in honouring our social responsibility goals.

Besides, we accord paramount importance to health, safety, security and care for the environment.

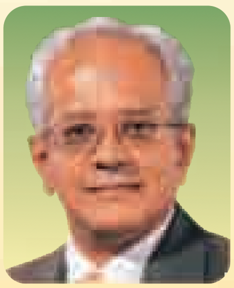
Leveraging technology, our efforts are honed to explore business opportunities, while meeting diverse needs in a dynamic scenario.

Our energized human resources continue to evolve innovative solutions, enhancing value for our customers and stakeholders.

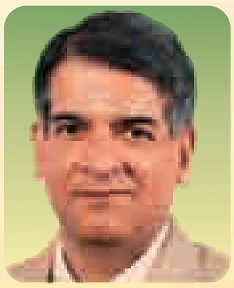
BPC.. energising your future.

Board of Directors

ASHOK SINHA
Chairman & Managing Director



S. A. NARAYAN
Director (Human Resources)
(up to 9.6.2008)



S. RADHAKRISHNAN
Director (Marketing)

S. K. JOSHI
Director (Finance)

R. K. SINGH
Director (Refineries)

S. MOHAN
Director (Human Resources)
(w.e.f. 25.6.2008)

P. K. SINHA
Addl. Secretary & Financial Advisor, Ministry of Petroleum & Natural Gas

D. N. NARASIMHA RAJU
Joint Secretary, Ministry of Petroleum & Natural Gas
(up to 19.4.2007)

P. H. KURIAN
Secretary, Investment Promotion, Government of Kerala
(w.e.f. 23.4.2007)

P. C. SEN
Director
(up to 19.5.2008)

V. D. GUPTA
Director
(up to 19.5.2008)

A. H. KALRO
Director

N. VENKITESWARAN
Director
(w.e.f. 16.7.2007)

S. K. BARUA
Director
(w.e.f. 20.5.2008)

RAMA BIJAPURKAR
Director
(w.e.f. 20.5.2008)

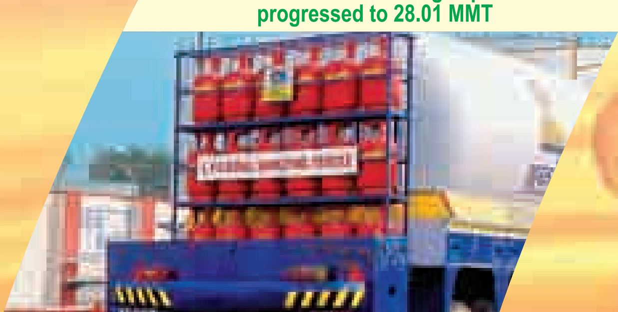
N. VISWAKUMAR
Company Secretary

Highlights of
Group Performance

Sales Turnover soared by 12.93% touching Rs. 1231.80 billion

Net Profit at Rs. 19.13 billion

Market Sales including exports progressed to 28.01 MMT



Expanding horizons in Exploration & Production

Crude Throughput increased to 23.52 MMT

Bankers

State Bank of India
Union Bank of India
Corporation Bank
Bank of India
State Bank of Patiala
Central Bank of India
Deutsche Bank
Standard Chartered Bank
ABN AMRO Bank N.V.
ICICI Bank
HDFC Bank
State Bank of Travancore
Indian Bank
Industrial Development Bank of India Ltd.
BNP Paribas
Calyon Bank

Auditors

B. K. Khare & Co.

Share Transfer Agents

Data Software Research Co. Pvt. Ltd.
22, Sree Sovereign Complex,
4th Cross Street, Trustpuram,
Kodambakkam, Chennai 600 024

Registered Office

Bharat Bhavan
4&6 Currimbhoy Road,
Ballard Estate, Mumbai 400 001

Mr. S. K. Joshi, Director (Finance), Mr. S. Radhakrishnan, Director (Marketing), Mr. Ashok Sinha, Chairman & Managing Director, Mr. R. K. Singh, Director (Refineries) and Mr. S. Mohan, Director (Human Resources)

Management Team

Ms. I. Sasikala	Chief Vigilance Officer
Mr. A.K. Bansal	Executive Director (Corporate Affairs)
Mr. Anurag Deepak	Executive Director Logistics (Retail), Mumbai
Mr. B.K. Datta	Executive Director (Supply Chain Optimization)
Mr. D.M. Reddy	Executive Director (Human Resources Services)
Ms. Dipti Sanzgiri	Executive Director (Human Resources Development)
Mr. E. Nandakumar	Executive Director, Kochi Refinery
Mr. J. Ravichandran	Executive Director (Audit)
Mr. K.K. Gupta	Executive Director (Lubes)
Dr. M.A. Siddiqui	Executive Director (Research & Development)
Mr. P.S. Bhargava	Executive Director, Mumbai Refinery
Mr. R.K. Mehra	Executive Director (Planning)
Mr. R.M. Gupta	Executive Director (Engineering & Projects)
Mr. S. Chatterjee	Executive Director (Industrial & Commercial)
Mr. S. Krishnamurti	Executive Director (Retail) In-Charge
Mr. S.K. Jain	Executive Director (LPG)
Mr. S.P. Gathoo	Executive Director (Integrated Information Systems)
Mr. S. P. Mathur	Executive Director (Aviation)
Mr. S. Ramesh	Executive Director (Retail), West
Ms. Sumita Bose Roy	Executive Director (International Trade)
Mr. S. Varadarajan	Executive Director (Corporate Treasury)
Mr. A.K. Kaushik	General Manager (Information Systems - Applications)
Mr. A.R. Sarkar	General Manager (Materials)
Mr. Amitabha Sengupta	General Manager (Human Resources), Mumbai Refinery
Mr. A.S. Bhatia	General Manager (Retail), East
Mr. Basudev Rana	General Manager (Sales) I&C, Mumbai
Mr. Brij Pal Singh	General Manager (Operations), Retail
Mr. C.S. Chakrabarti	General Manager (Maintenance) Mumbai Refinery
Mr. George Paul	General Manager (Brand & ARB) Retail HQ
Mr. G.S. Baveja	General Manager (Health, Safety & Environment)
Mr. G.S. Wankhede	General Manager (Operations), MMBPL
Mr. I. Srinivas Rao	General Manager LNG Marketing, (Industrial)
Mr. J. Dinaker	General Manager Finance (International Trade)
Mr. John Minu Mathew	General Manager (Technical), Kochi Refinery
Mr. J.S. Sokhi	General Manager (Retail Initiatives), RHQ
Mr. K.B. Narayanan	General Manager (ERP Process)
Mr. K. N. Ravindran	General Manager (Projects), Kochi Refinery
Mr. K.P. Chandy	Regional LPG Manager, South
Mr. K.V. Seshadri	General Manager (Operations), Refinery
Mr. K.V. Shenoy	General Manager (Highway Retailing), HQ
Mr. M.K. Kaul	General Manager (Engineering & Advisory Services), Mumbai Refinery
Mr. M.M. Chawla	General Manager (Pipeline Projects), E&P
Mr. M.P. Govindarajan	General Manager (Human Resources), Kochi Refinery
Ms. Monica Widhani	General Manager (Sales), Retail North
Mr. N.S. Ramu	General Manager (Retail), South
Mr. N. Viswakumar	Company Secretary
Mr. P. Balasubramanian	General Manager (Management Accounts)
Mr. P. C. Srivastava	General Manager, LPG North
Mr. Pallav Ghosh	General Manager (Retail), HQ
Mr. P. Padmanabhan	General Manager (Technical), Mumbai Refinery
Mr. Pramod Sharma	General Manager (Coordination)
Mr. R.P. Natekar	General Manager (Treasury)
Mr. R. Ranganath	General Manager Finance (Retail) HQ
Mr. S.B. Bhattacharya	General Manager (Marketing) Lubes
Mr. S. Chandramohan	General Manager (Finance), Mumbai Refinery
Mr. S.K. Agrawal	General Manager (Legal)
Mr. S.K. Mathur	General Manager (Retail), North
Mr. Sharad K. Sharma	General Manager Sales (LPG) HQ
Mr. Tomy Mathews	General Manager (Operations), Kochi Refinery
Mr. T. Somanath	General Manager – Talent Management
Mr. Vinod Giri	General Manager (Marketing Corporate)
Dr. G. Vasudev	Dy. General Manager (Quality Control Cell)
Ms. Madhu Sagar	Dy. General Manager (Employee Satisfaction Enhancement), CO
Mr. M.M. Somaya	Dy. General Manager (Brand & Public Relations)

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 55th Annual General Meeting of the Shareholders of Bharat Petroleum Corporation Limited will be held in the Y.B.Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021, on Monday, the 22nd September 2008, at 10.30 a.m. to transact the following Ordinary and Special Business :

A. Ordinary Business

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2008, the Balance Sheet as at that date and the Reports of the Board of Directors and the Statutory Auditors and the Comments of the Comptroller & Auditor General of India, thereon.

2. To declare dividend.

3. To appoint a Director in place of Shri P. K.Sinha, Additional Secretary & Financial Advisor, Ministry of Petroleum Natural Gas, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri P. K.Sinha, being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Prof A.H.Kalro, Director, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Prof. A.H.Kalro, being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Shri R.K.Singh, Director (Refineries), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri R.K.Singh, being eligible, offers himself for re-appointment.

6. To fix the remuneration of the Statutory Auditors.

   To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution:-

   "RESOLVED that pursuant to the provisions of Section 224(8)(aa) and other applicable provisions, if any, of the Companies Act, 1956, remuneration of the Single / Joint Statutory Auditors to be appointed by the Comptroller & Auditor General of India (C&AG) under Section 619(2) of the said Act, be and is hereby approved at Rs. 16,00,000, to be paid to the Single firm of Statutory Auditors or to be shared equally by the Joint Statutory Auditors, in case of appointment of Joint firms of Statutory Auditors by the C&AG, in addition to actual reasonable travelling and out of pocket expenses and service tax as applicable, for the year 2008-09 and also for subsequent years."

B. Special Business

7. **Appointment of Director**

   To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :-

   "RESOLVED that pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Ms. Rama Bijapurkar, be and is hereby appointed as Director of the Company."

8. **Appointment of Director**

To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :-

"RESOLVED that pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Prof. S.K.Barua, be and is hereby appointed as Director of the Company."

9. **Appointment of Director**

To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :-

"RESOLVED that pursuant to Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Shri S. Mohan, be and is hereby appointed as Director of the Company."

By Order of the Board of Directors

Sd/-
(N. Viswakumar)
Company Secretary

Registered Office:
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
Mumbai – 400 001.
Date: 14th August, 2008

Notes :

1. Explanatory statements under Section 173 of the Companies Act, 1956, in respect of the items of Special Business are annexed hereto.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, IN THE ALTERNATIVE, TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE DULY COMPLETED & AFFIXED WITH THE REVENUE STAMP AND BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE COMMENCEMENT OF THE MEETING.**

3. The Share Transfer Books of the Company will remain closed from Friday, 12th September 2008 to Monday, 22nd September 2008, both days inclusive, for the purpose of payment of dividend on equity shares for the year ended 31st March 2008, if declared at the Annual General Meeting as under:

   A) To all Beneficial Owners in respect of shares held in electronic form as per the data to be made available by NSDL/CDSL as at the close of day on 11th September, 2008.

   B) To all members in respect of shares held in physical form after giving effect to transfer in respect of valid transfer requests lodged with the Company on or before 11th September, 2008.

4. The unclaimed dividends of BPCL and erstwhile Kochi Refineries Limited (KRL) for the financial years upto 1993-94 had been transferred by the Companies to the General Revenue Account of the Central Government, which can be claimed by the Shareholders from the Office of the Registrar of Companies at Mumbai and Kochi, respectively.

5. (a) Pursuant to Section 205A(5) and Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund established by the Central Government. Accordingly, the unclaimed dividends for the financial years ended 31st March 1995 to 31st March 2000 for BPCL and erstwhile KRL, and also unclaimed amount of interim dividend for the financial year 31st March 2001 in respect of BPCL, had been transferred to the said Fund, and no claim shall lie against the said fund, or the Company, for the amount of dividend so transferred.

   (b) Shareholders of BPCL who have not yet encashed their Final Dividend for the financial year ended 31st March 2001 or any subsequent financial years are requested to make their claims to the Share Transfer Agent of the Company or to the Registered Office of the Company. With regard to unclaimed amount of dividend for the financial year ended 31st March 2001 and unclaimed dividend for subsequent financial years of erstwhile KRL, the claims can be made from the Share Transfer Agent of the Company.

   It may be noted that the unclaimed amount of final dividend for the financial year ended 31st March 2001 will become due for transfer to the Investor Education and Protection Fund on 24th November 2008 in respect of erstwhile KRL and 1st December 2008 in respect of BPCL.

6. In order to help us in providing appropriate answers backed by relevant financial data, the Shareholders may please send their queries that they would desire to raise at the AGM, at least one week in advance, to the Company Secretary at the Registered Office.

EXPLANATORY STATEMENTS FOR THE SPECIAL BUSINESS PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No.7 Appointment of Director

Ms. Rama Bijapurkar was appointed as Additional Director of Bharat Petroleum Corporation Limited under the provisions of Article 77A of the Articles of Association of the Company, effective 20th May 2008, in accordance with the directions of the Government of India.

Ms. Rama Bijapurkar, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a Member, proposing the name of Ms. Rama Bijapurkar, as Director of the Company. A brief resume of Ms. Rama Bijapurkar, as required under Clause 49(IV)(G) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. Ms. Rama Bijapurkar, does not hold any share in the Company as on the date of appointment. The Directors recommend appointment of Ms. Rama Bijapurkar as Director of the Company.

Except Ms. Rama Bijapurkar, no other Director is interested in the Resolution.

Item No.8 Appointment of Director

Prof. S.K.Barua was appointed as Additional Director of Bharat Petroleum Corporation Limited under the provisions of Article 77A of the Articles of Association of the Company, effective 20th May 2008, in accordance with the directions of the Government of India.

Prof. S.K.Barua, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a Member, proposing the name of Prof. S.K.Barua, as Director of the Company. A brief resume of Prof. S.K.Barua, as required under Clause 49(IV)(G) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. Prof. S.K.Barua, does not hold any shares in the Company as on the date of appointment. The Directors recommend appointment of Prof. S.K.Barua as Director of the Company.

Except Prof. S.K.Barua, no other Director is interested in the Resolution.

Item No.9 Appointment of Director

Shri S. Mohan was appointed as Additional Director of Bharat Petroleum Corporation Ltd., under Article 77A of the Articles of Association of the Company, effective 25th June 2008. in accordance with the directions of the Government of India. Shri S.Mohan has further been appointed as Director (Human Resources) of the Company.

Shri S.Mohan, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a Member, proposing the name of Shri S. Mohan, as Director of the Company. A brief resume of Shri S. Mohan, as required under Clause 49(IV)(G) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri S. Mohan as Director of the Company.

Except Shri S. Mohan, no other Director is interested in the Resolution.

By Order of the Board of Directors

Sd/-
(N. Viswakumar)
Company Secretary

Registered Office:
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate, Mumbai 400001
Date: 14th August, 2008

ECONOMIC DEVELOPMENTS

Economies across the world are passing through turbulent times. The rising prices of oil and other commodities, the ongoing crisis in the financial markets and the inflationary pressures are all contributing to this situation. It is a challenge for Governments, policy makers, businesses and for consumers. The adverse impact of these developments is continuing to be felt across the globe and the pain is expected to continue for some more time. The world economy had been quite buoyant till the subprime crisis blew up impacting major financial institutions across the world. This was accompanied by the slowing down of the American economy. Simultaneously, oil prices in the international market have remained volatile. The jump in crude oil prices has been quite sharp especially since the beginning of the year 2008 although it has shown signs of easing after crossing the USD 140 per barrel mark.

With its economy getting integrated with the world economy, India has not remained immune to these negative developments. Although the Indian growth story is expected to continue, there are reasons to be cautious in the days to come. As per the statistics released by the Government of India, the Gross Domestic Product (GDP) is estimated to have grown by 9.0% in 2007-08. While the GDP growth rate has been sustained, there are increasing signs of the economy cooling down.

The inflationary pressures impacting the Indian economy have grown stronger in line with what is being witnessed across the globe. The inflation rate of 12.01% for the week ended July 26, 2008 is the highest in the last thirteen years. The Reserve Bank of India is dealing with the scenario of rising prices by way of interventions in the form of hike in interest rates, cash reserve ratio etc. Consequently, the yields have been rising in the debt markets, which are bound to increase the borrowing costs of corporates, thereby adversely affecting corporate performance. On the foreign exchange front, the rupee which had been gaining strength against the US Dollar has declined from Rs. 40 levels to the current level of around Rs. 42.

The Indian capital markets, which had witnessed a sustained period of upward movement in the share prices, saw the trend changing from the beginning of the calendar year 2008. Key market indices have seen a sharp reversal as a reaction to the subprime crisis, rising commodity prices and signs of economic slowdown across different countries. Foreign Institutional Investors, who had invested heavily in the Indian market, have significantly reduced their holdings.

TRENDS IN THE OIL & GAS SECTOR

The price of crude oil in the international market has remained firm and has crossed the USD 140 per barrel mark before declining to around USD 120 per barrel. The global demand for oil continues to grow, with countries like China and India and the Middle East seeing significant increases. The International Energy Agency (IEA) expects demand from China to grow by 5.6% in 2008 as compared to 2007 and roughly by the same rate in 2009. The global demand for oil is expected to be of the order of 87.7 million barrels per day in 2009 as compared to the 86.9 million barrels forecast for 2008. While high prices have led to demand contraction in the advanced economies, demand has continued to grow in other parts of the world. Prices in many countries continue to be lower than international levels, despite recent moves to curb fuel subsidies.

The falling value of the dollar has led to oil being used as a hedge against the declining dollar. There have been no major discoveries of oil in the recent past, due to which the oil producing countries' ability to boost production remains limited. Geo-political factors have also impacted oil production. All these factors have contributed to oil prices remaining high and very volatile in the international market.

The year 2007-2008 was the first time when the crude oil prices breached the USD 100 per barrel mark. In particular, the jump in prices has been sharp since the beginning of 2008. With prices remaining high, the economies of the oil importing countries are facing difficulties and inflationary pressures are getting stronger.

The prices of petroleum products in the international market have moved in tandem with the crude oil prices. The average prices in 2007-08 of key products like Motor Spirit (MS), High Speed Diesel (HSD), Liquefied Petroleum Gas (LPG) and Aviation Turbine Fuel (ATF) have gone up as compared to the previous year.

The rising prices in the oil markets have made countries look at alternatives to meet the demand for energy. Notwithstanding the adverse implications on the environment, countries have been looking at Coal to Liquid (CTL) technologies. Biofuels have been an area attracting attention, although the debate on their impact on global food security continues.

Countries in the Middle East continue to be the main producers, with heavy and sour crude oil becoming more prominent in the crude oil basket. At the same time, with the product quality requirements becoming more stringent and older refineries having inadequate hydro processing capacity, the demand for sweet crude oil is rising. Consequently, the light/heavy crude differentials have been increasing every year. During the year 2007-08, the average spread between the light Brent oil and heavy Dubai crude crossed USD 5 per barrel. This high level of differential is expected to remain in the coming days. Similar trends are also visible in the lighter and heavier product price differentials.

INDIAN PETROLEUM SECTOR

The year 2007-08 has seen the Gross Domestic Product grow by 9% over the previous year. Correspondingly, there has been a robust growth of 7% in the consumption of petroleum produts. As per the provisional figures released by the Petroleum Planning & Analysis Cell in the Ministry of Petroleum & Natural Gas, consumption of petroleum products during 2007-08 stood at 129.23 Million Metric Tonnes (MMT). As against this, the consumption in 2006-07 amounted to 120.74 MMT.

There has been a sharp increase in the consumption of most of the products. The year on year growth has exceeded 11% in the case of both MS and HSD. With the rapid growth in the number of domestic and international flights, the consumption of ATF has increased by over 14% during the year. As in the previous year, the domestic consumption of Naphtha and Light Diesel Oil has declined in 2007-08.

The average cost of the Indian basket of crude during the year 2007-08 was USD 79.3 per barrel, which was considerably higher than the corresponding figure of the previous year. Besides, the prices have shot up substantially in the current year and the cost of the Indian basket of crude had even crossed the USD 140 per barrel mark.

During the year, the country's crude imports were of the order of 121.67 MMT at a cost of USD 68 billion, as compared to a level of 111.50 MMT at USD 48 billion in 2006-2007. With crude oil prices having increased significantly since the beginning of 2008, the outgo on crude oil imports is likely to shoot up, thereby having an adverse impact on the country's current account balance. This will also put added pressure on the oil marketing companies, given the limitations on their ability to increase prices of sensitive petroleum products.

Besides the crude oil imports, the country's petroleum product imports stood at 22.72 MMT with an outlay of USD 15.26 billion, as compared to 16.97 MMT and USD 8.90 billion in 2006-07. At the same time, Indian companies had exported petroleum products to the tune of 39.33 MMT in 2007-08, earning foreign exchange of the order of USD 26.77 billion, as against product exports of 32.74 MMT with foreign exchange earnings of USD 17.81 billion in the previous year.

The beginning of 2007 had seen some signs of oil prices easing in the international market, due to which the Government of India had approved a reduction in the prices of MS and HSD by Rs. 2 and Re. 1 per litre respectively. However, the volatility in prices in the international market has seen the oil marketing companies pass through difficult times, with considerable strain on their liquidity. While the Government of India has been issuing oil bonds as a means of compensation for the under-recoveries and the upstream oil companies have been extending discounts, the cash flows of oil marketing companies have been adversely impacted due to the rising under-recoveries. Prices of MS and HSD were finally increased by Rs. 2 per litre and Re. 1 per litre respectively in February 2008.

Further, the Government has in the last budget, taken steps to mitigate the burden of oil marketing companies by reducing the customs duty on crude oil and by shifting from ad valorem plus specific rate of levying excise duty on MS and HSD to pure specific rate on unbranded MS and HSD. Further effective June 5, 2008, the Government has approved the increase in the selling price of MS and HSD. Also, the selling price of packed LPG for domestic use was increased after a very long period of time. Besides, there has been a reduction in the excise duty on MS and HSD by Re. 1 per litre and customs duty on crude oil has been abolished. These measures are designed to give some relief to the oil marketing companies. Further, with a view to ease the liquidity position of the oil companies, the Reserve Bank of India had opened a special window for providing foreign exchange required for crude oil imports against the oil bonds issued to the oil companies. This has provided considerable relief from the tight liquidity crunch faced by the oil marketing companies. However, these companies continue to suffer on account of the continuing under-recoveries which remain at very high levels. BPCL, as an integrated refining and marketing company, has had to carry a heavy burden. Besides, BPCL's subsidiary company, Numaligarh Refinery Limited, has had to suffer losses in respect of its retail

marketing activity. The firm refining margins have to some extent helped in mitigating the position of the integrated oil refining and marketing companies.

India continues to have refining capacity in excess of the domestic requirements and the year 2007-08 saw the quantum of crude processing touch a level of 150.81 MMT, as against 141.46 MMT in 2006-07. With production of petroleum products exceeding demand, the export volumes of finished products has increased during the year. With further capacities expected to come on stream shortly, including that of the new grass roots refinery at Bina being set up by the BPCL promoted joint venture company, India will remain long on refining capacity for the foreseeable future.

With oil prices remaining high and domestic selling prices of sensitive petroleum products not reflecting international prices, it was no major surprise to see the decline in volumes and market share of the leading private sector marketing companies. Overall, there has been a drop of 7.9% in the sale volume of the private sector as compared to the previous year. The year also saw a slow down in the commissioning of new retail outlets by both, the public sector and private sector players.

OPPORTUNITIES AND THREATS

Notwithstanding the current difficulties facing the economy, experts continue to remain bullish about the long term prospects of the Indian economy. With the country's energy needs growing at a rapid pace, companies in the oil and gas business will have a major role to play. The demand for petroleum products is expected to remain strong despite the rising global prices. There would therefore, be ample growth opportunities for the oil companies. At the same time, the inability to pass on the full impact of the rising prices has had a serious impact, particularly on the liquidity position of the companies. This is having an adverse impact on the capital expenditure plans, besides affecting operations and over time will be detrimental to future growth.

BPCL's plans for strengthening its position in the market have been well on track. During the year, the crude oil import facilities at Kochi, including the Single Point Mooring, have been commissioned. BPCL is now in a position to enjoy economies of scale in the area of crude oil imports, as parcels can be received in very large crude carriers. Savings are also possible with regard to freight on crude oil procured for the Mumbai refinery.

Work on the new grass roots refinery at Bina in Madhya Pradesh is progressing and the project is expected to be commissioned on schedule. With the commissioning of the new refinery, BPCL's position in the key markets of northern and central parts of the country will be strengthened. Also, the concerns emanating from the proposed withdrawal of tax concessions for new refineries have since ceased, with the Government clarifying the position that the Bina refinery will be one of the refineries eligible for tax benefits if the refinery is commissioned by March 2012.

The rising refining margins have contributed to offset to some extent, the under-recoveries on the sale of sensitive petroleum products like MS, HSD, LPG and Superior Kerosene Oil (SKO). Maximising refiners' margin hinges on the ability of refineries to process heavier crude oils. The Refineries will also need to be in a position to comply with the latest norms of product quality. All these will call for significant investments. BPCL has been preparing itself for meeting these eventualities and has undertaken modernisation and capacity expansion programs in both the refineries. Work is currently on in this regard at Kochi. The new grass roots refinery at Bina with its latest technology will also give a competitive edge to the BPCL group.

On the retail front, sales have been growing at a fast pace. Although there has been a decline in the share of the private players in this arena, the fact remains that this segment offers the best potential in terms of long term growth and profitability. BPCL has continued with its efforts to maintain its traditional leadership position in this sector. The Retail business has been transforming from a network of "Fuel dispensing Retail Outlets" to clusters of "Customer – enabling business engines." With the continuing focus on value added offerings to customers, BPCL is confident of holding its own in the market place.

The LPG business has been impacted by the high levels of under-recoveries as a consequence of the rising prices in the international market, coupled with the inability to increase prices for domestic consumers. Although the price increase on domestic cylinders announced on June 5, 2008 provides some respite, the under-recoveries continue to hurt the business. Under the circumstances, the LPG business has been concentrating on enhancing value through better management of cylinder inventories, optimisation of the supply chain and maximising sale of value added products like Bharat Metal Cutting Gas. After the excellent response in the domestic market, the metal cutting gas has now entered select foreign markets.

The Industrial & Commercial area throws up several challenges. Recent times have seen sales of Naphtha and Fuel Oil decline significantly. At the same time, there are opportunities in the area of bunkering, both in India and abroad. Besides increasing the bunkering volumes in India, BPCL has entered into a joint venture with a reputed international player, with a view to get a share of the growing international market.

The Lubricants business continues to be one of the most challenging. Besides focussing on the bazaar segment, BPCL has aimed at securing its share of volumes by tying up with reputed brands like Tatas, Hero Honda, General Motors etc. for the manufacture and sale of Genuine Oils. Besides, BPCL has continued its foray into foreign markets by entering the Sri Lankan market and strengthening its market presence in Nepal.

The Indian aviation sector has been passing through challenging times. With the opening of new airports, the business models of companies supplying ATF have changed. BPCL has been positioning itself to deal with the emerging scenario. At the same time, airline companies are passing through difficult times with their financial health deteriorating on account of the sharp increases in the cost of ATF. The resultant price increases have led to falling passenger numbers. The sector is expected to be one which will be full of challenges for all the players.

Natural gas is growing in importance as a preferred fuel in terms of cost and environmental friendliness. However, the prices have started moving in line with that of crude oil. As an early mover in this field, BPCL continues to retain a significant presence, both in the RLNG and in the city gas distribution markets.

In this era of rising international prices, securing crude oil supplies becomes very critical for refining and marketing companies. Having ventured into the upstream arena through its wholly owned subsidiary company, Bharat PetroResources Limited (BPRL), BPCL has been strengthening its presence in this sector. With a participating interest in 13 blocks, BPRL has a well balanced portfolio of assets, both within India and abroad. One of the consequences of the rising oil prices has been the growing trend towards looking at alternate sources of energy. One of the most promising areas has been Biodiesel. BPCL has been looking for opportunities in this area and as a first step, a new joint venture with two other partners has been promoted for setting up a Biodiesel Value Chain in the state of Uttar Pradesh. The venture plans to cultivate 1 million acres of land, create 1 million jobs and produce 1 million tonnes of Biodiesel by the year 2015. As sustainable development is the core objective of the venture, huge tracts of unproductive, uncultivated, barren and non-agricultural land are proposed to be used for the growth of Jathropha and Karanj plants. This approach also helps in dealing with the concerns being expressed in many quarters on the impact on the food situation on account of the increasing focus on Biofuels. This venture, along with the initiative undertaken by BPCL on Ethanol in Brazil on behalf of the Indian public sector oil companies, will contribute towards mitigation of the adverse impact of the rising crude oil prices.

BPCL has been striving to enhance its performance in all sectors of operations. It is also putting in place proper mechanisms to ensure smooth succession planning and proper manning across the organisation. The leadership pipeline for the organisation is being developed after a detailed analysis on the key variables of leadership effectiveness including organisational climate, personal characteristics, leadership styles and job requirements. During the year, 500 employees have been put through the process and data has been collated through a detailed 360 degrees feedback process. This has helped in identifying the skills and competencies of the employees and mapping them to appropriate leadership roles in the organisation, thus enabling the development of an effective career path for them. This will ensure that BPCL is well equipped to face the market challenges.

The Indian economy in general and the public sector oil companies in particular are grappling with major challenges. The global economic scenario clearly indicates that tough times will continue for some time. The continuing inflationary pressures will increase the pressures. While there would be difficulties, particularly on the liquidity front, BPCL remains confident that it is well equipped to cope with these challenges and emerge a stronger player in the long run. With the oil and gas sector expected to see healthy growth in volumes in the days to come, BPCL is well placed to occupy its rightful place in the market.

PERFORMANCE

The performance of the various Strategic Business Units (SBUs) and Entities is discussed in detail in the following paras.

REFINERIES

MUMBAI REFINERY

Mumbai Refinery achieved its highest ever crude throughput level of 12.75 MMT as compared to 12.03 MMT achieved in 2006-07. The refinery capacity utilization rose to 106.2 % as against 100.3% achieved in the previous year. The refinery processed one new crude oil taking the total number of crude oils processed by the refinery to 71.

The refinery profitability was enhanced by the increased production of value added products like C3/LPG (510 Thousand Metric Tonnes (TMT)), MS (1178 TMT), ATF (701 TMT), Lube Oil Base Stock (LOBS) (154 TMT) and HSD (4541 TMT).

The gross refinery margin of Rs.17,728.70 million for the year works out to USD 4.6 per barrel, as against the margin of USD 3.64 per barrel for the previous year. The improvement in the gross margin can be attributed to the optimised crude selection, improved distillate yields, better product mix and favourable crude/product prices.

Over the years, BPCL has been modernizing and expanding its quality assurance laboratories to equip them with new generation analytical instruments for meeting the requirements of new refining processes, changing product specifications and enhancing overall laboratory productivity and reliability. Apart from this, the laboratories have been constantly improving their internal systems in line with Indian and international standards. Mumbai Refinery's Quality Assurance Laboratory secured approval from the Center for Military Airworthiness and Certification (CEMILAC) and Directorate General of Aeronautical Quality Assurance (DGAQA) - Ministry of Defense for manufacture of ATF for the Defence sector with the inclusion of an ATF stream from the Hydrocracker unit. Apart from this, the laboratory successfully renewed its ISO/IEC:17025 accreditation.

The Mumbai Refinery laboratory continued its participation in the Shell Main Product Correlation Scheme (SMPCS) of M/s Shell Global Solutions, Netherlands. Samples from Gasoline, Jet Fuel, Gas Oil and Residual Fuel Oil were tested on a monthly basis. The laboratory was awarded four gold certificates for achieving 100% satisfactory performance during the financial year 2007-08.

Innovation and improvement efforts continued to lead maintenance and inspection activities in the refinery. Modernization and technological upgradation together with an effectively implemented preventive and predictive maintenance regime, has enhanced equipment reliability. The implementation of an Asset Integrity Management System (AIMS), which will aid in enhancing mechanical integrity and reliability of static equipment in the refinery has been initiated. Further, Risk Based Inspection (RBI) practice, which focuses on optimizing inspection and maintenance activities, taking into consideration the likelihood and consequence of failures, is being deployed with one unit as pilot. During the year, Mumbai Refinery scaled an improved plant availability of more than 96%, which effectively contributed in achievement of a record crude throughput this year. Availability of power was ensured throughout the year without any major disruption. One of the older gas turbines was revamped by upgrading some components with the latest technology, thereby enhancing fuel efficiency as well as increasing the interval between successive maintenance schedules. In continuation with the modernization efforts for upgrading HT Switch gears, a new 6.6 KV HT board with state-of-the-art microprocessor based numerical relays and vacuum circuit breakers, including a parallel redundant UPS system has been installed and commissioned in the Aromatics complex.

Continuing its quest for applying modern technology and accurate inspection techniques for improving equipment reliability, Mumbai Refinery successfully introduced ultrasonic guided wave technique for inspection of pipelines, especially at inaccessible locations. Ultrasonic scanning (using the attenuation method) of Reformer heater tubes was used in the Hydrogen unit. Remote Field Electromagnetic Testing of exchanger tubes and Air Fin Cooler Tubes was applied in various units to accurately establish the health of the exchanger tubes. Reactors in the reformer unit were inspected using automatic UT Scanning–B including sectorial scanning of shell plates to help in determination of residual life.

Mumbai Refinery achieved 5 million man-hours without any Lost Time Accident (LTA) during the year. The refinery has also achieved 24% reduction in total number of injuries (first-aid and minor) as compared to the previous year with a concerted improvement effort. 2231 man-days of safety training were imparted to BPCL employees and 5120 man-days of safety training were imparted to contractors' workmen and supervisors. The first periodic audit of the Occupational Health and Safety Management system i.e. OHSAS18001:1999 of Mumbai Refinery was carried out by M/s. Det Norske Veritas (DNV).

To strengthen learning in safety practices and to spread the message of safety in the workplace, the month of March 2008 was observed as “safety month” at Mumbai Refinery. The programs organized included talks on safety, on-site hands-on training, mock drills, safety workshops for different agencies etc. The objective was to spread awareness of safe working. To educate children on safety, special programs were arranged in nearby schools. On the occasion of International Women’s day, a special program was arranged for female employees on domestic and office safety.

Mumbai Refinery has been making concerted efforts for excelling in environment preservation performance. The Refinery had implemented an Environment Management System under ISO – 14001 in 1998, which was re-certified by M/s. DNV this year. The refinery has also taken several significant environmental initiatives during the year. Rooftop rainwater harvesting was implemented in the Co-generation Power Plant cooling tower pump house area to recycle the rainwater back into the cooling tower. Rainwater collection facilities at Raw Water Tank 101 (2100 m^3) and the Refinery Administrative Building for (4200 m^3) were installed. Another scheme at the Refinery Learning Centre for collection of rooftop rainwater and using the same for underground borewell recharge has been commissioned successfully with water collection potential of 1000 m^3 per year. Similar rainwater harvesting facilities for underground borewell recharge were also implemented for various buildings in the BPCL staff residential colony at Chembur, Mumbai. This has increased the level of the water table and borewell yield.

To reduce hydrocarbon fugitive emissions from equipment and pipelines, a comprehensive monitoring and control program - Leak Detection and Repair (LDAR) was conducted in the process units/offsite areas during which a total of 20000 points have been scanned to ensure that they were leak free.

Mumbai Refinery initiated a focused program for refinery margin improvement called Project KARMA – Key Activities for Refinery Margin Augmentation. As part of this activity, a dedicated taskforce interacted with key refinery staff to identify potential improvement opportunities, consolidate ideas for improvement and draw up an action plan for implementation of the same. Over 200 ideas were generated across 10 themes through intense idea generation sessions led by theme owners. Theme topics included refinery scheduling/ planning, blending, steam and power, hydrogen management etc. After careful evaluation, ideas with a combined potential benefit of about 15 cents/barrel have been taken up for implementation. Additional benefits can accrue once the balance shortlisted ideas are implemented, for which an action plan has been prepared.

Through good water management practices and use of innovative ideas, the refinery achieved substantial saving in raw water consumption. These savings were effectively used to convert DHDS & Aromatics complex cooling water systems from sea water to raw water service. This has reduced the corrosion of the facilities around the cooling tower and enhanced safety of the refinery.

Mumbai Refinery has embarked on the Six Sigma initiative as a part of the efforts towards business process improvement for productivity and profit enhancement. The first wave of the initiative was completed during the year 2007-08, with 34 staff members getting Green Belt Training and certification and implementing 13 Green Belt improvement projects. The implementation of the second wave is currently in progress with 14 staff members receiving training in Black Belt and 4 Black Belt projects in hand.

Mumbai Refinery undertook various community and rural development initiatives in keeping with its image as a good corporate citizen. A vocational guidance program for the Mahul village residents, which was initiated in the year 2000, received further impetus this year, with the training of 45 students in various vocational skills. In all, 780 needy people have benefited through this initiative. The medical treatment and health care facility provided in the Mahul and Deonar villages in the form of free medical check-up and free medicines has been greatly appreciated by the residents. More than 2 lakh villagers have benefited from these services. Through another ongoing initiative, 15 villagers from Mahul received the services of eye check-up and operation of cataract last year. The number of people who have received these services till date exceeds 200. As a commitment to promote better education in the neighbouring Marathi medium school at Mahul, Shri Narayan Acharya Vidyaniketan, the Refinery donated 15 computers to help train the students in basic computer education. The company also runs a child guidance centre at the school to provide counselling services to needy school children. Encouraged by the success of this initiative, these services were extended to the students of Amchi Shala, Chembur. With the help from an NGO, the company

has made available expert counselling support to the neighbouring community on issues like family conflicts, addiction etc.

The Refinery continued with its tradition of receiving accolades on various fronts. The refinery was awarded the Ramkrishna Bajaj National Quality Special Award – 2007, the highest recognition in the manufacturing category for the year 2007. The refinery also won the first prize in the category of Refineries with respect to "Improvement in Specific Energy Consumption over Previous Best" for the year 2006-07 from the Ministry of Petroleum & Natural Gas (Reduction of SEC from 78 to 70.03 MBTU/ BBL/NRGF) in September 2007. Mumbai Refinery received the Greentech Environment Management Gold Award 2007 instituted by M/s. Greentech Foundation, New Delhi. A technical paper entitled "Assessment of Corrosivity and its Minimization in Crude Atmospheric Column Overhead Condensers" co-authored by Jaya Rawat, P.V.C. Rao, N. D. Raut and N.V. Choudary was awarded the "Best Paper Award" in the International Conference on Corrosion 'CORCON 2007' organized by NACE in September 2007. Mr. Pradeep Jaganath Behal of Personnel and Administration Department, Mumbai Refinery, was awarded the Shri Laiji Mehrotra Foundation Award for Excellence for the year 2007. He was nominated for this award on an all India basis by National Society for Equal Opportunities for the Handicapped, India (NASEOH) for his excellent service record. He received the award in the category of hearing impaired. BPCL is in the forefront of adopting/ implementing new technologies for growth, sustainability and environmental harmony, encouraging its employees to achieve results on technical frontiers. The efforts in this direction by Mr. P. L. N. Murthy, Chief Maintenance Manager(Instruments), Mumbai Refinery, were recognised by the Instrumentation Systems and Automation (ISA) Society for his contribution to the Indian Instrumentation field by honouring him with an award during ISA EXPO 2007 at Pragati Maidan, New Delhi.

High quality process operating and troubleshooting knowledge is a critical aid for the refinery engineers in optimising process unit operations. To enhance and fine-tune this capability and to expose refinery process engineers to world class training, workshops on Process Monitoring & Troubleshooting by Mr. Norman Lieberman of Process Chemicals Inc., USA were organised. Similarly, for the Inspection Engineers, an API 510 (pressure vessels) training program was organized, which helped them to qualify as certified API inspectors for pressure vessels. A total of 18,907 man-days of training was imparted, including functional and development subjects, by the Mumbai Refinery Learning Centre during the year. This also included 2059 man-days of training on safety aspects. Major developmental programs undertaken include workshops on Workplace Management and outdoor training program on Team Building. Besides meeting their own training needs, Mumbai Refinery also trained refinery technical staff from Khartoum Refining Company, Sudan, as part of a business development initiative. The Learning Centre also operates a suggestion scheme to invite, assess and award valuable innovative suggestions from the employees on system improvement leading to business benefits. A record number of 2741 suggestions were processed, out of which one suggestion on Palletized Racking System in the Main Warehouse was adjudged the best suggestion and was awarded the first prize in the national event organized by Indian National Suggestion Schemes Association (INSSAN).

KOCHI REFINERY

The year saw Kochi Refinery also achieving its highest ever throughput of 8.2 MMT, as against the previous best of 7.92 MMT achieved in 2004-05. The capacity utilization stood at 109.7%. Three new crude oils were processed during the year i.e Al Shaheen from Qatar, Sirri from Iran and Nemba from Angola. The refinery achieved its highest level of production of ATF, MS and HSD during the year at 283 TMT, 876 TMT and 3400 TMT respectively.

The gross refining margin for the year 2007-08 was USD 7.18 per barrel, as against USD 3.46 per barrel in the previous year. The improvement in the gross margin is due to optimised crude selection, higher capacity utilization, improved distillate yields and favourable crude/product prices.

The Kochi Refinery laboratory continued its participation in the Shell Main Product Correlation Scheme of M/s. Shell Global Solutions, Netherlands and was awarded four gold certificates for achieving 100% satisfactory performance in the scheme during the financial year 2007-08.

Kochi Refinery has initiated implementation of the Asset Integrity Management System (AIMS), which will aid in enhancing mechanical integrity and reliability of static equipment in the refinery. The refinery has effectively used high quality equipment, health monitoring systems, inspection techniques, modern maintenance practices

and leveraged capacity built with the local contractors, for improving overall refinery equipment reliability, leading to high on-stream time of process units and highest ever crude processing during 2007-08. Advanced planning and efficient execution of shutdown jobs has resulted in completion of the major shutdown jobs on schedule. The refinery continues to employ new and advanced techniques for pipelines and equipment. Acoustic Emission Testing (AET) technique was successfully used for integrity assessment of high pressure critical pipelines for quick and accurate results. The refinery has initiated a unique knowledge portal for maintenance excellence which features posting of problems and views/comments from experts, enabling generation of a knowledge base for future reference.

For Kochi Refinery, the year 2007-08 was an accident/fire incident free year. The refinery employees achieved 8 million man-hours without any Lost Time Accident during the year. Various training programs on safety were conducted to ensure that all employees are well versed in essential safety knowledge and skills, notching the milestone of 100% training. For enhancing contractors' safety, a total of 9378 man-days of Health, Safety and Environment training were imparted to contractors, consultants, contractors' workmen and supervisors. To strengthen learning in safety practices and to spread the message of safety in the workplace and home, safety week was celebrated between 28th February & 7th March 2008 at Kochi Refinery, which included talks on safety, awareness campaigns for employees and public, various safety competitions for employees and school children.

Kochi Refinery commissioned a new effluent treatment plant (costing Rs. 50.5 million) in the Shore Tank Farm built at Puthuvypeen as part of the SPM facilities. In the same complex, a rainwater harvesting pond spread over 5 acres with a capacity to collect 25000 m^3 of rainwater has been built. The storm water run off, thus collected from the entire shore tank farm area of 170 acres, is used mainly for charging the ground water table, thereby reducing the sea water ingress. The collected rainwater is also used for replenishing the fire water and watering the green belt area, where around 6000 trees of various varieties have been planted.

An in-house developed facility for desulphurization of vacuum column off gas based on low-pressure amine absorption, costing Rs. 14 million, which is the first of its kind in India, was commissioned in the refinery. Increase in waste heat recovery, corrosion prevention and reduction in SO2 emission from the vacuum heater are the benefits achieved with the implementation of the project. A reduction furnace was installed for converting Ammonia generated in the sour water stripper in DHDS to Nitrogen, thereby reducing the Nitrogen Oxides (NOx) emission in the refinery.

Kochi Refinery has taken up the Manufacturing Execution Systems (MES) project with a view to implement state-of-the-art decision support systems. This project will enable the refinery to streamline its manufacturing business processes and contribute to corporate objectives in margin improvement by implementation of state-of-the-art software solutions for Planning, Scheduling, Blending, Production management and Laboratory Information management. The project, costing Rs. 200 million, is scheduled to be completed by December 2009.

In order to keep pace with the changing environment and to remain competitive in the field, an Integrated Refinery Business Improvement Program was initiated at Kochi Refinery, with the help of M/s. Shell Global Solutions International and Centre for High Technology, New Delhi. This program will help to develop solutions to reduce the gaps in performance of the refinery in the areas of energy management, operational performance and overall refinery margin, in comparison with the Asia Pacific and Global refineries, as identified in the benchmarking exercise undertaken earlier. Several "Proposals for Improvement (PFI)" in each of the areas were identified during the assessment phase of the program, with a combined benefit potential of 35 cents/barrel. Implementation of these proposals is in progress.

Quality Circles have been a key improvement initiative for Kochi Refinery since 2004. The concept has been well received, as work groups have understood the strength of collaboration in troubleshooting for generating ideas for improvement and implementing the same. The refinery has 10 Quality Circles spanning functional areas like Manufacturing, Quality Control, Power & Utilities, Projects, Finance and Human Resources. The teams discuss workplace improvement and generate ideas especially related to work quality, in order to improve the performance of the refinery and enable work enrichment. Enhancing occupational safety, health and improvement in manufacturing process are the main focus of these initiatives. The Quality Circles have also been exposed to industry best practices through training programs and competitions. The Diamond Circle of the Manufacturing Department won the Excellence Award in the National

Convention on Quality Circles convened in Kolkata in 2007 and the Power Circle from the Power and Utilities Department bagged the first prize at the State level Quality Circle Competition organized by the Confederation of Indian Industry (Southern Region).

Being a good corporate citizen, Kochi Refinery has maintained high standards in its social welfare measures. The refinery extended a helping hand to children from socially and economically weak communities, by way of noon-meals, scholarships and free learning aids and financial assistance to students for purchase of uniforms/books/umbrellas/bags. The refinery also helps women and children from the weaker sections of society. Assistance to Kudambashree units by providing pushcarts and three-wheeler goods carriers have gone a long way in empowering the Kudambashree units, which are self-governed units formed by poor unemployed women working under the supervision of the Panchayats. Other activities in this direction include health care measures and seminars to spread the message of women empowerment.

During the year, the refinery has also contributed to community health care by donating artificial limbs, wheelchairs and spectacles etc. This year, in addition to conducting medical camps for the poor, essential amenities and infrastructure facilities like physiotherapy and occupational therapy equipment were provided to the differently-abled children. About 2000 people belonging to SC/ST and BPL families in the neighbourhood were covered under the Universal Health Insurance scheme run by Kochi Refinery. Donation of an ambulance for tribals at Wayanad is among the other initiatives undertaken.

During the year, Kochi Refinery received the Excellence Award from Kerala State Pollution Control Board for the year 2007-2008 for outstanding performance in pollution control activities and various environment friendly initiatives. It was also the recipient of the Outstanding Safety Performance Award in the category of Large Size Chemical Industries, Award for Excellence in Safety Management and Best Performance Award for Safety Committee from the National Safety Council, Kerala Chapter. Kochi refinery was also awarded the Greentech Environment Excellence Award (Gold Award) in the Petroleum Refinery sector for outstanding achievement in Environment Management for the year 2007. The refinery also received the Safety Innovation Award 2007 from Institution of Engineers (India).

Enhancing knowledge, skills and capabilities of employees were the focus areas in Kochi Refinery. During 2007-08, a total number of 1499 employees were given class-room training apart from a series of continuous on-the-job training events. A series of "Energizing Life" workshops, aimed at both personal and professional effectiveness were among the unique programs held during the year, covering about 200 employees. Besides, using internal resources, training was imparted to personnel from ONGC and Petro Energy, Sudan. Two batches of young engineering / science graduates and diploma holders were imparted training in Fire & Safety to enhance their employability.

BPCL has initiated projects for producing Euro-IV quality transport fuels by utilising opportunities of revamping the existing units as far as possible and upgrading the vacuum residue at its refineries at Mumbai & Kochi, with combined facilities for minimising capital cost. The detailed feasibility report for a combined delayed coker unit and related facilities at Kochi Refinery has been completed and the process of obtaining environment clearance is in progress. To keep pace with technology and to remain competitive in the field, both refineries have embarked upon focused programs for improving profitability and reducing operating cost through separate initiatives. Apart from raising staff morale and involvement, these programs will help to reduce the gaps in key areas of performance in comparison with the Asia Pacific and Global refineries, as identified in the benchmarking exercise undertaken earlier.

RETAIL

The retail segment of the oil industry continued its growth story in the fiscal year 2007-2008. Keeping pace with the country's GDP growth, the Retail business recorded a growth of over 9.63 %, as against 9% during the last year. BPCL also had an excellent year in terms of growth and accomplishment.

It has been an extremely eventful year, both in terms of achievement in sales volumes as well as in qualitative implementation of all the new initiatives. The Retail business achieved this success through mobilizing people and teaming at various levels, encouraging a culture of focused thinking and decisive action among staff, resorting to new, innovative means of overcoming obstacles in execution of plans. Because of aggressive marketing of its propositions, the Retail business was able to achieve the higher growth position in the retail fuels market with sales of 14.75 MMT during 2007-08, showing an impressive growth of 13.37% over 2006-07.

The emphasis during the year continued to be on enhancing customer enablement, coupled with judicious network expansion and select retail outlet upgrades. During the year, 438 retail outlets were commissioned out of 2315 retail outlets commissioned by the industry. The emphasis on site quality in the urban markets and strategic expansion on highways paid off handsomely. In the highway sector the throughput per outlet grew from 196 kilolitres (KL) per month to 241 KL per month, an increase of 22.8%. The throughput per outlet of the high format retail outlets on highways, catering to the trucker (GHAR) network, grew from 582 KL per month to 763 KL per month, an increase of over 31 %. The qualitative aspect of BPCL's retail network continued to make it stand apart from other industry members with overall throughput per outlet for BPCL standing at 189 KL per month, which is 23% higher than other industry members.

In terms of market effectiveness, i.e the ratio of market share in terms of sales volume vs market share of retail outlets, BPCL had a factor of 1.23.

The MS volumes for the year 2007-08 stood at 2.906 MMT, which represented a growth of 10.5% over the volumes achieved in 2006-07. The growth in MS sales has, to a large extent, been due to the continued success enjoyed by "Speed", the market leader in the branded fuels segment. With a conversion ratio of 26.5%, Speed, now available in 3655 outlets, recorded sales of 770.5 TMT and had a 32.8% share in a rapidly expanding premium fuel market. Speed 97, which was launched in September 2005 in the Delhi market, is now available in 83 outlets in the major urban markets. Speed 97 sales stood at 3621 MT during the year 2007-08.

HSD sales during the year touched a level of 10.14 MMT, representing a growth of 16.42% over the previous year. This high growth was possible because of the emphasis on enhancing customer enablement along with a specific strategy for highways. BPCL's initiative of "The Highway Network Assurance Program," with the help of OSTS-GHAR and Highway Star outlets, contributed to an impressive growth of 17.6% on highways for HSD. HSD thrughput per outlet grew from 165 KL per month to 203 KL per month. BPCL's branded fuel "Hi Speed Diesel" continued its success saga with sales of 970 TMT from 3897 retail outlets.

BPCL continued to record strong growth in the alternate fuels segment. Compressed Natural Gas (CNG) sales in Delhi, Mumbai, Surat and Ahmedabad grew by 17.3% during the year. Auto LPG sales grew by 38.11% with sales of 68 TMT. CNG and Auto LPG sales, while replacing MS/HSD sales in these markets, helped in retaining customers who had migrated from traditional fuels. The year saw the addition of 10 CNG stations and 19 Auto LPG stations to the BPCL network.

During the year, the Retail – Lubricants coordination set up came into being to synergize efforts of the two businesses in respect of the sales of Lubricants through the retail channel. Results have already started flowing with Lubricants sales through the retail chain, reversing the negative trend of the previous years.

The quintessence of Logistics is "Operational Efficiency". The Logistics group handled a volume of 35.4 million KL with a growth of 7.2% during the year 2007-08. This could be possible through dedicated team effort at 93 locations. The heart of the business was carefully tendered with total storage capacity of 3.05 million KL. A MS product pipeline was commissioned between Khau creek and the IOC/HPC terminal at the Sewree / Wadala complex, which helped in reducing MS losses. A crude pipeline of 2.55 MMT capacity was commissioned between ONGC Uran and the BPC-IOC joint berth at JNPT. The Piyala terminal and extension of the Mumbai-Manmad Pipeline to Bijwasan were commissioned to receive the product from Mumbai Refinery in order to support the logistics needs of northern region.

Through the efficient supply chain process, market demand was met in full. 177 TMT of white oil was moved coastally per month, as against 138 TMT planned during the year. Evacuation of 708 TMT of ATF was done during the year, which is the highest in a single year. An all time high slate of 5378 tank wagons was achieved in March 2008. Black oil BTPN rakes commenced from Trombay Dispatch Unit at Mumbai Refinery to Mathura and Bhilai. Rail loading facilities were also commissioned at Piyala. Savings of Rs. 30.3 million were achieved in railway freight through lean season discounts. Excellence in operations has ensured a reduction of overtime by 13% with overtime coming down from 260,500 hours to 226,700 hours.

The Business also took the lead in completing the installation of a Vehicle Tracking Systems (VTS) in 93% (4474) of PCVO tank lorries during 2007-08 for tracking of lorry movements. Taking Project "Udaan" to newer heights, 3 major locations viz. Budge-Budge, Kandla and Irimpanam have been certified as model locations during the year. The total number of locations certified as model locations stood at 38 by the end of 2007-08.

As part of the Quality Assurance program, a Marker system was maintained for SKO at all locations. Ethanol blending facilities have also been provided at all supply locations and 71,556 KL of Ethanol has been procured during the year 2007-08.

As per the automation policy, terminal automation has been completed at Koyali and is in progress at Patna and Haldia. Bottom loading of tank lorries have been planned at various locations as a measure to control the fugitive emission and health of the employees. Introduction of aluminium tank lorries is in progress and is expected to be done during 2008-09.

BPCL represented the Indian oil industry in the International Biofuels Forum at Brussels and New Delhi. BPCL is also playing a leadership role for Ethanol investment in Brazil on behalf of the oil industry. BPCL has signed a Memorandum of Understanding (MOU) with Petrobras, Brazil for mutual co-operation on Biofuels.

BPCL's commitment to delivering value to the customer remained in the forefront with the expansion of the "Pure for Sure" (PFS) network through the enrolment of more retail outlets under the PFS brand. With a total of 6226 retail outlets certified under the PFS banner, 78% of the retail network now consistently delivers superior value to the customers. The customer validation of the PFS brand is further borne out by the fact that 8.6 out of every 10 litres sold through the BPCL network are sold through a PFS outlet. With 86% of our fuel volumes being delivered through PFS outlets, efforts are on to bring the remaining outlets within the ambit of a third party audit, in order to ensure product assurance of Quality and Quantity at each and every retail outlet.

The thrust on retail automation continued during the year. BRASS – RT (Bharat Retail Automation Solution & Services – Real Time) is providing the customer with complete transparency in terms of exact quantity of fuel dispensed, automated receipt and better payment options through Smartcard / credit / debit card. Backed by a state-of-the-art solution, BRASS - RT enhanced the level of retail outlet management and offered improved cost and operational efficiencies to the dealer and the Company. Automation was made operational at 1602 outlets during 2007-08 and an additional 1000 outlets are proposed to be covered during 2008-09.

Bharat Retail Outlet Maintenance Application (BROMA) has been developed to provide transparency and a comprehensive solution for Retail Outlet complaint management. It is a platform for lodging complaints through Intralink, Internet or SMS, automatic allocation of complaints to vendors and closure of complaints and generation of certified bills by the vendor. Every process of the outlet maintenance cycle has been automated, thus reducing considerably the Engineering Officer's time for complaint tracking, monitoring and billing. Since vendor evaluation is online, there is transparency in rating of the vendors. This application has been implemented in April 2007 and as on date, more than 45000 complaints have been logged and over 6500 bills have been passed. This application is being used by over 4500 dealers, 1063 vendors and 100 Engineering staff.

Gaining long term customer loyalty remained a strong strategic focus for the business. The "Petro Card" reached a level of 1.682 million by the end of 2007-08. The year also saw the enrolment of 25,480 heavy vehicles to the SmartFleet base which stood at 0.62 million at the end of the year. The strategic emphasis during the year was to drive activation and customers rewarded these efforts with the Petro Card and SmartFleet business clocking a turnover growth of 31%. Card sales accounted for nearly 20% of Retail's MS/HSD market sales turnover. SmartFleet sale for the year reached Rs. 63,630 million, which was 58% higher than the value in the previous year. On an all India basis, 76% of the sale came from existing customers, 15% from new customers that were enrolled by the fleet sales team and 9% were enrolled by the DSA partners. A new DSA channel has been launched to acquire customers from the possible potential of over 4.2 million transport vehicles in the country. Keeping pace with the increasing penetration of credit and debit cards in various consumer segments, the business had firmed up strategic payment facilitating alliances with Standard Chartered Bank and HDFC Bank for increased customer convenience and to drive their respective customer bases to BPCL outlets. Total sale of Rs. 8600 million was achieved via this partnership in comparison to the sale of Rs. 5700 million in 2006-07, when this arrangement was put in place for the first time.

BPCL's retail business is transforming from a network of "Fuel dispensing Retail Outlets" to clusters of "Customer – enabling business engines". This fundamental transformation of the retail network, which began two years ago on the field, is gathering momentum. The transformation is progressing along three critical dimensions. These include designing & developing new business models that will change the face of fuel retailing, roll out & embedment of these business

models into the existing network and putting in place institutional mechanisms to ensure the success of this transformation.

The Allied Retail Business (ARB) grew by 31.8 % with a turnover of Rs.2089 million making it, not only the largest non-fuel revenue generator in the oil industry, but also amongst the leading retail networks in the country offering a basket of services ranging from C-stores and Quick Service Restaurants to financial and travel related services. BPCL's effective network of 323 In & Out stores with an aggregated retailing space of 187,631 sq.ft. is by far the largest organized convenience retailing proposition in the country. Sales turnover during the year grew by 41.02% to reach a level of Rs.1092 million. During the year, 15 In & Out convenience stores made up the "millionaire club" by clocking average sales of Rs.1 million per month as compared to 8 in 2006-07. The daily sales per square foot at these millionaire stores is in excess of Rs.40/-, which is more than what has been achieved by several established supermarkets in the country.

ATMs continued to be a focus area in the ARB initiative under the alliance management strategy. Alliances with 22 Banks make up for 251 ATMs in the network. The key alliance initiative with Western Union Money Transfer saw the In & Out store network record 36,677 transactions, with a turnover of Rs.699.3 million representing growth of 26% over the previous year.

The In & Out e-Traveller facility is at present available at 37 In & Out convenience stores in Phase I. Work is on in Phase II, when it will be available in 100 additional stores. This proposition has recorded a turnover of Rs. 15 million with sales of 7782 tickets in its first full year of operation.

Quick Service Restaurant (QSR) sales through our Alliance network during 2007-08 grew by 40%. The total Alliance QSR sales turnover was Rs. 249 million through our partners like McDonald's, Pizza Hut, Café Coffee Day, Subway, Nirulas etc.

The "Ghar Dhaba" is BPCL's foray into food and the concept development covering theme designing, kitchen layout, menu planning and drawing up the standard operating processes have been done in-house. We have 21 Ghar Dhabas in operation and the total sales during the year was Rs. 23 million.

The "branded" service stations, V-Care achieved a turnover of Rs. 14 million. 26 new Vehicle Care centers were added during the year, taking the total to 50. At present, there is a chain of 68 Hero Honda City Works (HHCW), out of which 41 have been commissioned during 2007-08.

The Petro Card initiative, which is the first of its kind in India, completed 8 years. Over the years, this program has grown into a 1.6 million strong membership base clocking over 1.7 lakh transactions every day at 3500 Bharat Petroleum outlets in over 75 cities across the country. The program endeavours to give value added services to its members, so that every fuelling experience is more enjoyable.

The retail locations have been promoting Health, Safety and Environment within and outside the organization. None of the locations had any Lost Time Accidents during the year. Six awards were received for Excellence in Safety and eight awards for Excellence in Environment from the Greentech Foundation for the year 2007-08, two awards were received for Excellence in Health & Safety and two awards for Excellence in Environment from the Foundation for Advancement of Science & Technology (FAST). Manmad Installation in Maharashtra received the Greentech Safety Award for the third consecutive year. Tondiarpet and Bijwasan have been selected for the prestigious "British Safety Council" awards.

BPCL Retail was awarded the Trusted Brand in Asia in the Petrol Station category as per the market survey conducted by Readers Digest in 2007. Pure for Sure got the Avaya Customer Responsiveness Award.

INDUSTRIAL AND COMMERCIAL

The Industrial & Commercial business had another successful year, which was marked by the sales volume crossing the 7 MMT mark for the first time with an overall growth of 5.1% over the volumes achieved in 2006-07. Over the past two years, the sales volume has increased by over 1 MMT. This is notwithstanding the fact that the business is subject to intense competition. BPCL achieved the highest growth rate in the Industry for Bitumen (+33.2%), HSD (+14.7%), MS (+52.5%) and LSHS (+2.59%).

The focus during the year was on increasing the sales of high margin products with a view to enhance the net corporate realization. Introduction of 380 cst Fuel Oil in the market was a major initiative taken in this direction. Despite free availability of 180 cst Fuel Oil from other public sector oil marketing companies as well as from private marketers and reluctance on the part of the customers to try out a new product, a large number of

customers were converted to the new product. Since its introduction in July 2007, the sales volume has been of the order of 247 TMT.

With the sales volumes of Naphtha on the decline, efforts were initiated to supply the product to eligible customers on deemed export basis. During the year, the sales on this account amounted to 151 TMT, which helped in gaining additional volumes and earning additional margins.

The year also saw significant increase in RLNG volumes. During the year, the sale of RLNG was 905 TMT, as compared to 679 TMT during 2006-07, representing an increase of more than 33%. BPCL is currently supplying RLNG to various customers in the Power, Fertilizer and Steel sectors. During 2007-08, BPCL commenced supplies of RLNG to Ratnagiri Gas and Power Private Limited (RGPPL). BPCL would be supplying 1.8 mmscmd representing 1/3rd of the total gas requirement to RGPPL. BPCL also signed a Gas Sale Agreement with Pragati Power Corporation Limited (PPCL) for supply of approximately 2 mmscmd of Gas (1/3rd of their total requirement), for a period of 15 years, to their new Power Plant at Bawana, to be commissioned before the Commonwealth Games 2010 in Delhi. The supplies to PPCL are expected to start from October 2009.

BPCL has been registering steady growth in bunkering volumes over the last few years. During the year, the bunkering volumes have shown an increase of 35.2% over the previous year. A new joint venture company has been incorporated in Singapore in partnership with M/s. Matrix Marine Fuels, USA with both the partners having a stake of 50% each in the new venture. The joint venture will offer an opportunity to BPCL to set its foot in the global bunkering business with an estimated size of 141 MMTPA and growing @ 1.2% annually.

BPCL has extended its e-banking offering by making available the payment window through Real Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT). This is in addition to the existing e-banking tie ups with ICICI Bank and HDFC Bank, which have been in place for the last 5 years. The new offering has been well received by customers and the total e-payments have gone up to Rs.31,060 million as against Rs.21,550 million during 2006-07.

Having been able to successfully withstand the fierce competition and dynamic market during the last few years, BPCL's Industrial & Commercial business is all geared up to face fresh challenges in times to come.

LUBRICANTS

For the second year running, the Lubricants business has achieved double digit growth in sales as compared to the previous year. The sales volume in 2007-08 grew by 10% over the volume achieved in 2006-07. Also, BPCL's growth rate was higher than the average growth of the Industry.

One of the key achievements during the year was the reversal of the negative trend witnessed in the key retail channel, with sales volume registering a growth of 1% over the previous year. This was made possible by greater involvement of BPCL's retail network of dealers and better execution of initiatives like Hero Honda City Works, Tata Authorised Service Stations and Vehicle Care Centres at the retail outlets. These have contributed significantly in boosting sales volume and are expected to yield many more benefits in future. The tie up with companies like Numaligarh Refinery Limited, Indraprastha Gas Limited, Central UP Gas Limited, Maharashtra Natural Gas Limited and Adani Energy Limited for marketing of MAK Lubricants from their outlets has also contributed to the growth in sales and enhanced brand presence in the market.

In the Bazaar segment, which has been identified as a key potential area, sales have grown by 38% over the previous year. The business has expanded BPCL's network of MAK distributors to ensure BPCL's reach to all parts of the country. Concentrated efforts and grass roots marketing initiatives like MAK Garage, MAK Mobile Van and placement of outsourced manpower with MAK distributors to reach out to retail counters have also contributed to this growth. E-channel, a special initiative for serving rural India through the e-choupal network of ITC Limited, was given special impetus to increase BPCL's reach in rural markets across Uttar Pradesh, Rajasthan, Maharashtra and Madhya Pradesh.

Introduction of various schemes in the oil change segment has also been instrumental in achieving this excellent performance in the reseller channel. Overall, the reseller channel has grown by 14% over the previous year notwithstanding the intense competition in the market.

The direct channel has seen BPCL's sales grow by 4% over the previous year. BPCL has also been able to retain its portfolio of major customers. Further, BPCL has also renewed its agreement with L&T Komatsu for marketing of Genuine Oils. The company has also entered into an agreement with the Indian arm of the world's largest

automaker, General Motors India Private Limited, for manufacture and sale of Genuine Oil- GM MAK Genuine Engine Oil and Rear Axle Oil. BPCL has also tied up with M/s. Kerala Agro Machinery Corporation Limited (KAMCO), for Genuine Oils to be marketed through their network. These Genuine Oil tie ups with the best names in the country are in addition to the existing tie ups with companies like Hero Honda Motors Limited, Tata Motors Limited and TVS Motor Company Limited. MAK Lubricants has thus come to be accepted by the best in the country.

The export volumes of the Lubricants business have grown by 43% over the previous year. Sri Lanka became the latest destination of MAK Lubricants, when the first consignment reached the island nation in December 2007. BPCL is confident of becoming a major player in times to come. BPCL has also consolidated its position in Nepal.

The R & D Centre at Mumbai has been working very hard in providing customers with the latest technology oils using the state-of-the-art Group II base oil - MAKBase. R & D has undertaken various field trials to provide customer specific solutions and has been instrumental in conducting various technical seminars with several customers, highlighting MAKBase's technical superiority.

The Lubricants Business has been adjudged the Best Performer in the Lube Oil Blending Plants category, for the year 2006-07 by the Oil Industry Safety Directorate. This is the first time that the Lubes business has been conferred with this prestigious award. The award is in recognition of the great emphasis on Health, Safety and Environment activities in all aspects of the business.

With a growing brand, world class base oil, efficient supply chain management, new Genuine Oil tie ups, wider reach in the Bazaar trade, strong marketing initiatives through retail outlets and a great talent pool, MAK Lubricants have established a strong presence.

LPG

With LPG prices in the international market showing no signs of declining, the LPG Business has been coping with considerable pressure, owing to the inability to pass on the impact of the rising prices to the domestic segment of the market. As such, the focus during the year continued to be on efforts to prevent diversion of domestic cylinders to the non-domestic segment, who are not eligible for the price subsidies. The focus during the year continued to be on efficient customer service, with special emphasis being laid on training the distributors and their staff for providing customer assistance promptly. Customer Relations Centres (CRCs), which provide customers a forum for giving feedback and for obtaining clarifications and other assistance on all LPG related matters, have been set up across the country.

During the year 2007-08, the overall sales volume of LPG has grown by 7.29% as compared to the previous year, with BPCL having a market share of 26.4%. In the packed commercial segment, where the product is subject to market determined prices, sales have grown by 24.63 % over the previous year. The overall LPG sales in 2007-08 (including Auto LPG) stood at 3000 TMT. With the addition of 1.79 million new customers during the year, 'Bharatgas' is present in approximately 25 million households as on March 31, 2008 and this customer population is catered to by 2137 LPG distributors spread across the country. BPCL has a total of 48 LPG bottling plants with a rated capacity of 2082 TMTPA. The total bottling done during the year has been 2363 TMT, representing a capacity utilisation of 113.50%.

With a view to expand its horizons and enter the retail business, the LPG business had launched the `Beyond LPG' initiative 4 years back. This initiative was launched as a value added service to reach products at attractive offers to the customers' doorstep. It was also aimed at providing a new channel of revenue to the LPG distributors, as well as a new business opportunity to BPCL. Initially, only kitchen appliances were introduced through the channel. Subsequently, based on market feedback, home appliances, as well as select FMCG products were introduced in the product basket. During the year 2007-08, this initiative has been adopted as a full-fledged business venture after 3 years of experimenting. The turnover under this initiative has more than doubled to Rs.3480 million in 2007-08 from Rs. 1700 million in 2006-07, representing a growth of 104.71%. Beyond LPG business has tie ups with reputed brands like Prestige, Hawkins, Bajaj, Racold, Venus, Maharaja, Honda etc. for home and kitchen appliances and with FMCG brands like Dabur, ITC, Tata Tea, Karnataka Soaps (Mysore Sandal) etc. In addition, 24 brands of quality gas stoves and Suraksha LPG hoses are also available through this channel.

The Beyond LPG business is purely a voluntary option for the Bharatgas distributors, which provides an opportunity to the distributor community to strengthen his relationship with the customer by providing value added services and in turn, a new channel of earning revenue. Currently, about 500 plus distributors are actively

engaged in the Beyond LPG business and the number is growing with more distributors signing up.

Bharat Metal Cutting Gas (BMCG) is an ideal fuel developed to replace the conventional Acetylene used for metal cutting and brazing applications in the industrial sector. This product has, in a short while, gained tremendous popularity and confidence amongst the industrial users, primarily because of its performance efficiency and low cost of operation. BMCG is the preferred choice of major users such as Indian Railways, Steel Plants, BHEL, BEML, Hindustan Shipyard, Metro Rail, L&T, Godrej & Boyce etc. During the year 2007-08, 3006.66 MT of BMCG has been sold to the industrial sector, as compared to 995 MT in the previous year. The BMCG users have the advantage of claiming carbon credits on the usage of BMCG vis-à-vis Acetylene.

A strategic tie up has been entered into with Bahrain Gas for the production of BMCG in Bahrain and the same is slated to commence shortly. Plans are also in place for entry into the Saudi Arabian market. Talks are underway with established organizations in industrial gases for entry into the markets of Oman, Nigeria and Qatar.

The LPG Reticulated System, referred to in common parlance as 'piped LP Gas' has been designed to meet captive requirements of the buildings – ensuring round the clock LPG supply and reaching households at a low pressure. The system provides for greater safety and reliability with increased convenience. BPCL has so far connected 30,148 households through the LPG Reticulated System.

BPCL continues to accord the highest priority to safety of LPG customers. Regular safety clinics are conducted to educate customers on safe use of LPG and conservation of fuel. In addition, safety and conservation messages are communicated to LPG users through the print and audio-visual media. Emergency Service Cells / Bharatgas Helplines have been put in place to attend to LPG leakage complaints after the distributor's working hours and on holidays.

The growing under-recoveries on the sale of domestic LPG cylinders is a cause for concern for the public sector oil marketing companies. The recent price hike does provide some relief, although the under-recoveries continue to remain at high levels. The LPG business is therefore focussed on enhancing value in the non- domestic segment, while ensuring that the domestic consumers continue to be provided with excellent service.

AVIATION

The aviation sector continued its growth story during a major part of the financial year. However, the last quarter of the year saw the pace of growth reducing as a result of recessionary trends in the global economy, rising domestic inflation and competition from the Railways. There was a fall in international passenger demand in January 2008 as compared to the calendar year 2007. The international cargo demand remained sluggish. Experts believe that the effects of the economic slowdown and rising prices will continue to affect the growth of the aviation sector for some time. A major development in the domestic aviation sector was the commissioning of the new greenfield airport at Hyderabad. For the first time, the supply chain has been disintegrated, with the airport being the first in the country to introduce the "Open Access" system. This system allows all qualified suppliers a level playing field with equal access to the fuel farm facility. The new model is proposed to be replicated at the Delhi and Mumbai airports, where the hydrant facilities are currently owned by public sector oil companies.

During the year 2007-08, the sale of ATF amounted to 959 TMT, which represents a growth of 8.97% over the previous year when the volume was 880 TMT. This is the first year when the ATF sales volume crossed the 900 TMT mark. The Aviation business also recorded its highest sales volume in a single month in March 2008.

The year was also characterized by intense competition with private suppliers like Reliance commissioning 10 Airfield stations across the country. Despite the growing competition, BPCL was able to retain most of the major customers at different airports. In addition, BPCL was also successful in adding some new customers to its portfolio.

During the year, a number of major initiatives were undertaken by the Aviation business. An in-house Apron Fueling Management system has been developed, which will substitute Shell's Astronova system. This will lead to savings in license fee and annual recurring fees. Besides, BPCL will have the copyright for this product. With the opening of the new airport at Bangalore, Bharat Stars Services Private Limited, BPCL's joint venture with ST Airport Services Pte Limited of Singapore has commenced operations of providing into plane fuelling services from May 2008.

BPCL continued its operations as the sole distributor of AeroShell Lubricants in India, with sales to customers

like the Indian Navy, Hindustan Aeronautics Limited, Bharat Heavy Electricals Limited, Oil and Natural Gas Corporation Limited etc. Sales volume during the year grew by 43%.

The Aviation sector in the country is currently passing through turbulent times. With the rising prices of ATF, airlines are increasing fares and curtailing flights. This, coupled with the slowing down of demand, has led to airlines grappling with serious problems. At the same time, oil companies are dealing with new challenges posed by the entry of private players and changes in the ownership and operations of the hydrant infrastructure, particularly at new airports. BPCL is confident of successfully dealing with these challenges in the days to come.

HUMAN RESOURCES

As on 31st March, 2008, BPCL had 14,006 employees on its rolls. During the year, 306 management staff were recruited to meet the manpower requirements of the businesses, as well as to bridge the gap created by separations.

BPCL has always put 'People Above Oil' and attributes all its achievements to its people. BPCL has a firm belief that human resources are the most important resource of the organization and therefore, always seeks involvement of people across the organization in all the major initiatives being undertaken. In this highly competitive environment, the Corporation requires a team of talented leaders to take charge and deliver. With a view to identify, develop and nurture talent within the Corporation, BPCL had during the year 2006-07, initiated the leadership development project to develop the next generation of leaders who can meet the challenges in the coming years. The program was carried forward during the year with 360 degree assessment being carried out for a section of middle level managers. This was in addition to the top level managers covered in the previous year. The Talent Review Panel, comprising of the Chairman & Managing Director and all the functional directors, reviewed the profiles of all the candidates to align them to the future roles they could assume, besides identifying areas for development. This initiative, aimed at identifying and tracking high performers and exciting them with opportunities to evolve as leaders, would also provide a robust leadership pipeline for the company. In order to develop leaders capable of 'doing the right things' rather than 'doing things right', the initiative would now be cascaded to the next layer of management.

Training and development continues to be an important thrust area and all the new initiatives and skill upgradation takes place through the Learning Centre at Juhu in Mumbai for senior staff and through regional training centres for others. The programs at the learning centres are precise and linked to the business priorities, enhancing employees' ability to drive change. During the year 2007-08, 20,632 man-days of training were conducted and through this process, 9168 employees were trained and inputs given in both functional and managerial areas.

The BPCL scholarship scheme for higher studies was launched in 2003-04 to promote excellence in higher education of meritorious students. This scheme provides financial support to deserving students for higher studies in prestigious institutions in India and abroad. During the year 2007-08, 44 students going abroad and 11 students studying in India were awarded scholarships for pursuing higher studies.

The `Ideas' program is an initiative to recognise and promote creativity at the workplace and derive benefits from the innovative ideas. Employees at all levels are encouraged to submit the innovative idea that he has tried out at his workplace and which has led to tangible or intangible benefits. This has become a key event in the organization. Employees look forward to this event to share the innovation implemented by them at their workplace. During the year 2007-08, a new award for maximum replication of already implemented ideas was introduced with a view to enhance business benefits.

One of the key challenges that BPCL is facing is the retention of skilled and experienced manpower in this highly competitive environment. BPCL has geared up to this challenge and is constantly focused on fine-tuning its HR policies to face the emerging challenges.

INTEGRATED INFORMATION SYSTEMS

The year 2007-08 has been quite eventful and marked with many significant achievements in the Integrated Information Systems (IIS) domain of BPCL. The year saw a strategic thrust being given to the future Information Technology (IT) road map of the organization.

The IIS team had launched "Project Aryabhatta" to redefine Information Technology strategy for BPCL for the next 3 to 5 years. Key themes had been identified, which would help businesses achieve their targets and sustain BPCL's leadership in the IT sphere in the oil and gas sector. One of the first initiatives undertaken was

the implementation of the Supply Chain Management (SCM) solution in the LPG business to optimize the entire supply chain – bulk, bottling, packed movements and hospitality, with a specific focus on significant savings on transportation cost of LPG. The project has been completed in a record period of 100 days by an in-house team drawn from the business and IIS, with minimum support from external consultants. Effective April 2008, the demand projections are being captured in the SCM solution at the distributor level. Based on the demand planning projection in the system, all the indents are getting generated in the SAP system. The focus for the next few months would be to stabilize the solution and gain further refinement and improvement in the Supply Chain Process of the LPG business.

During the year, a Business Intelligence group was formed for harnessing information for business applications. Dashboards for Territory Managers in the different businesses have since been launched. The focus has been on the information needs of the customer facing staff. With the active engagement of the businesses, Business Intelligence reports have been designed and made available to the field force, thereby giving deep insights into customer behaviour as well as providing up to date data.

One of the high leverage result areas indicated by the retail business was the implementation of Planned Delivery Program (PDP) for the dealers. The PDP process has since been made available as a solution on the new SAP NetWeaver platform. The first pilot went live successfully at Bengaluru. Once the pilot stabilizes, the same will be rolled out to the other supply locations of the retail business.

The SAP R3 solution has been extended to BPCL's subsidiaries in the exploration & production business viz. Bharat PetroResources Limited (BPRL) & Bharat PetroResources JPDA Limited (BPRL–JPDA). BPCL had also assisted in the implementation of the SAP R3 solution at Bharat Oman Refineries Limited, a joint venture company promoted by BPCL. This was one of the fastest implementations in the oil industry with the project going live within 56 days of launch.

Besides, BPCL's internal team has successfully upgraded the SAP HR production environment to SAP ERP ECC 6.0. The upgrade would help in the implementation of Employee Self Service (ESS)/Management Self Service (MSS) besides several new age functionalities. Work has commenced on the upgrade of the non-HR environment to ERP ECC 6.0. Once rolled out, the SAP user base would increase significantly and make available improved functionalities. BPCL has also migrated to SAP Net Weaver XI Middleware, which would be the single solution utilized for interfaces with customers, vendors, dealers, distributors & others.

The LPG shopping portal has been launched in September 2007. It would now be possible to make available the 'Beyond LPG' offerings and products to any potential customer through this new channel of online shopping portal. Initially, this portal would be launched in select markets, where the back-end capabilities of delivery are better assured. Over a period of time, these offerings and products would be made available across the country.

During the year, a "Centralised Service Desk" was launched to help every user of IT facilities to login issues on a Centralised System, either through voice, e-mail or a service desk and get immediate attention. With this, the entire Facility Management of the Corporation covering more than 7000 PCs / Laptops, 2000 printers and 200 servers is being supported from a single location on a 24x7 basis including Sundays & holidays.

The ERP Competency Centre has been re-certified for the third time by SAP for a period of 2 years and has been termed as one amongst the best Competency Centers. A new SAP Training Center has been started at Mumbai for offering certification programs to aspiring candidates in collaboration with SAP India. This would help BPCL to leverage the internal skilled resources and also help in knowledge creation and dissemination, both inside and outside the Company.

It was another milestone for BPCL when its exemplary use of technology was recognized and awarded by CIO ASIA for 2008. Termed as the Oscars of IT, this is the most coveted "Academy Awards of the Information Technology World". Amidst tough competition from more than 175 companies from India, the International Jury comprising eminent CIOs, Academics and the Editorial team, selected BPCL for adoption of IT for delivering business value to the customers. The project that brought the CIO ASIA award to BPCL was the "Laboratory Information Management System" (LIMS) to test products in creating competitive advantage and customer relationship management.

HEALTH SAFETY AND ENVIRONMENT (HSE)

During the year, efforts continued in making BPCL achieve the highest standards in the area of health, safety and the environment. One of the focus areas was

on Clean Development Mechanism (CDM) initiatives. Emphasis was given on security related preparedness at all locations across the company for enhanced industrial security, commensurate with the nationwide alerts issued from time to time by national security agencies including State authorities. In line with instructions issued by the Ministry of Home Affairs, all operational locations were in a state of preparedness for dealing with security issues.

The Regional HSE Council platform institutionalized over the last couple of years has been the focal point in dissemination of information fairly quickly across businesses and entities. A separate application was developed to monitor domestic LPG incidents. The learnings from this have contributed in the reduction of accidents at the customer premises.

On the environment front, BPCL has gone in for plantation of Jatropha trees on the land identified as surplus at the locations. The plantations, which survive for more than 30 years, would be a significant contribution towards environment protection, prevention of soil erosion and provision of feedstock for manufacturing Biodiesel. The use of Biodiesel as an automobile fuel would displace use of conventional diesel leading to reduction in CO2. BPCL has also entered the Biodiesel Value Chain by way of a joint venture in the state of Uttar Pradesh with an underlying objective of achieving sustainable development.

BPCL has been one of the first oil companies to successfully utilise non-conventional energy sources by generating 5 MW (4 Nos. of 1.25 MW each) power through windmills in the hilly range of Kappatguda in Gadag District of Karnataka. This was one of the projects identified to avail carbon emission credits under the Kyoto protocol. The project is at an advanced stage of registration with the United Nations Framework Convention on Climate Change (UNFCCC). The host country approval from the Ministry of Environment & Forests has been obtained and the agency doing the validation has already visited the project. The project is likely to generate around 8900 Certified Emission Reductions (CER), which will result in add on revenue of Rs.7.2 million every year for the next 10 years, assuming a rate of USD 20 per CER. BPCL is also exploring the possibilities of availing 1,00,000 Verified Emission Reductions (VER) from environment friendly projects which are not covered under the CDM mechanism. These projects have the potential of generating additional revenue considering that VERs also carry a price.

During the year, BPCL published its first Corporate Sustainability Report (CSR) and thereby laid the foundation for the corporate journey towards performing profitable business with environmental sustainability. The report is made available across the organisation and is a pioneering effort in the Indian oil industry. A comprehensive Health, Safety, Environment and Security Management System was compiled and released for the guidance of all the businesses and entities. This will help in all the businesses having an integrated approach to this critical area.

INTERNATIONAL TRADE AND RISK MANAGEMENT

During the year 2007-08, the international crude oil prices maintained their rising trend. The average price of the Indian basket of crude oil went up by nearly USD 17.1 per barrel to reach USD 79.5 per barrel during 2007-08, as against USD 62.41 per barrel in 2006-07.

The International Trading Risk Management group, along with the Supply Chain Management team and the refineries, took action to optimize the crude cost and inventory holding. The crude oil basket was expanded and optimum terming up of crude was done to ensure security of crude oil supplies at all times. The shipping costs, which are also very significant, were also optimized through a combination of vessels under Time Charter and Contract of Affreightment. Export realizations were improved by terming product exports at efficient levels and targeting end users. Utilizing Time Chartered vessels on back haul further enhanced the profitability of exports.

During the year, out of a total of 20.95 MMT (19.78 MMT during 2006-07) of crude oil processed at BPCL's Mumbai and Kochi refineries, 13.90 MMT was from imported sources as against 13.47 MMT during 2006-07. With the international prices continuing to remain firm, the value of the crude oil imports reached a record high of USD 8448.95 million (Rs. 338,271 million) as against USD 6044.16 million (Rs. 273,031 million) in 2006-07. The ratio of 'Term to Spot' purchase of imported crude was 79:21 implying greater security of volume tie up.

BPCL also imported 96.90 TMT of Gas Oil and 202 TMT of SKO to meet the shortfall in supply from domestic sources. Also, to meet the deficit in the country, BPCL imported 172 TMT of LPG (163 TMT in 2006-07).

The year also saw BPCL's exports of refined products increase to 1804 TMT as compared to 1714 TMT during the previous year. While Fuel Oil exports almost halved to 472 TMT compared to 908 TMT in 2006-07, Naphtha

exports have grown by 57% (to 1154 TMT vis-à-vis 735 TMT). The contribution to the foreign exchange earnings increased to USD 1174 million (Rs. 47,276.22 million) from USD 731 million (Rs. 33,357.70 million) achieved during the previous year.

On the shipping front, the International Trade Department continued its prime focus of providing logistic support for imports, exports and coastal movements of products at the least cost. During the year, BPCL commenced independent chartering of tankers for shipment of imported crude oil and exports. BPCL also commissioned its SPM at Kochi and first VLCC (Very Large Crude Carrier) was discharged at Kochi Refinery during January 2008.

Considering the high volatility in crude and product prices, hedging of refinery margins continued to be an area of focus. During the course of the year, hedging volumes for refinery margins have been progressively increased and have crossed 12.6 million barrels, as against 5.55 million barrels in 2006-07. Further, to improve the response time for decision on finalizing deals, an E-tender platform was developed and implemented. Trading Cum Clearing Membership of National Commodities & Derivatives Exchange Limited (NCDEX) was obtained and trading in Furnace Oil Futures in NCDEX was started during the year.

The Risk Management Committee continued to provide directions and guidance besides carrying out regular review of hedging positions. To distribute the credit risk and to get competitive quotes, new counter parties were enrolled. Also regular review of credit exposures of counter parties was undertaken.

RESEARCH & DEVELOPMENT

Research and development (R&D) is an integral part of BPCL's strategy for achieving sustainable growth and profitability. To enhance R&D capabilities, BPCL is continuously strengthening the infrastructure and manpower resources at its Corporate R&D Centre, Greater Noida, Uttar Pradesh as well as at its Product & Application Development Centre, Sewree, Mumbai and the R&D Centre at Kochi Refinery, Kochi.

During the year, the Corporate R&D Centre made significant contributions in value addition at the refineries through development and commercialization of in-house catalysts like CO promoter catalyst for fluid catalytic cracker units, LPG sweetening catalyst, process optimization studies leading to selection of optimum catalysts & additives like GSR additive, detailed crude evaluations, crude preheat train fouling studies and selection of suitable anifoulant chemicals. R&D also made major contributions to improve the profitability of business units through development and commercialization of value added products such as Bharat Metal Cutting Gas and process schemes for reducing logistic costs. The centre has also developed a cost effective process during the year for conversion of non-edible oils with high free fatty acid content to biodiesel and the process is being scaled-up for setting up a pilot plant for process demonstration. Major research projects have been initiated in emerging areas like coal to clean liquid fuels, bio-fuels and hydrogen storage.

The Corporate R&D Centre filed five patent applications during the year to protect the intellectual property resulting from innovative research. As a part of new initiatives, BPCL entered into research collaborations with a number of leading research institutes such as Indian Institute of Sciences, Bengaluru and Council of Scientific and Industrial Research labs for the development of nanotechnologies/ materials for alternate energy sources/ devices. BPCL received the OCEANTEX 2008 'Innovation Award" for development of the BMCG product. BPCL along with Indian Institute of Petroleum, Dehradun also received OCEANTEX 2008 'Research & Development Award" for the development and commercialization of sweetening catalyst.

R&D Centre at Sewree enabled the Corporation, especially the Lubes Business, to achieve a higher growth and better profitability through development of several new formulations and alternate formulations for existing products. The new products developed include passenger car engine oil, fully synthetic gear oil, customer specific metal cutting fluids, high performance grease for the Steel Industry and Defence grades. The alternate formulations developed have helped in improving operational flexibility, besides reducing input/ operating costs. During the year, a number of critical approvals of our products were obtained from major Original Equipment Manufacturers and international approving bodies which helped in furthering business interest.

The R&D centre at Kochi Refinery provided technical support for successful commissioning of the bitumen blowing plant and for the selection of optimum catalysts for fluid catalytic cracking units.

EXPLORATION AND PRODUCTION OF CRUDE OIL AND GAS

BPCL has, over the past year, taken a number of strides in its endeavour to consolidate its presence in the upstream oil and gas sector. Since commencing its Exploration & Production venture with three Indian blocks awarded during the NELP IV round of bidding, BPCL in the past year, strode forward to acquire more blocks, driven by the aspirations of supply security, hedging of price risks and benefits of vertical integration. The wholly owned subsidiary company, Bharat PetroResources Limited (BPRL), which was incorporated in October 2006, is carrying forward BPCL's plans in this sector.

The 3 blocks acquired under NELP IV, (2 offshore and 1 onshore) are in the exploration phase and seismic surveys have been completed in the Krishna Godavari (KG) and Mahanadi (MN) blocks. A 3 year rig holiday and an extension of the first phase till March 2011 is expected for the two blocks. In the Cauvery (CY) block, environmental clearance is due and drilling of the well is anticipated during the last quarter of 2008.

BPCL was awarded its first overseas block in Oman. The BPCL consortium, comprising Oilex of Australia (Operator), Hindustan Petroleum Corporation Limited (HPCL), GAIL India Limited (GAIL) and Videocon Industries Limited (VIL) was awarded this on-land Block (Block no. 56) in Oman with BPCL holding a participating interest of 12.5%. The Exploration & Production Sharing Agreement (EPSA) with the Ministry of Oil, Sultanate of Oman, was signed on 28th June 2006. Drilling of 3 wells has been completed on this block.

The consortium of Oilex (Operator), VIL, GSPC, HPCL and BPCL was awarded an offshore exploration block WA-388-P in Australia in July 2006, with each partner having 20% stake. Seismic data reprocessing has been done and a contract for 3 D seismic acquisition and processing has been awarded.

The BPCL consortium comprising Oilex (Operator), VIL and GSPC have 25% participating interest each in the offshore block (no. 103) in the Joint Plan Development Area (JPDA) between East Timor and Australia. JPDA is an area which is being jointly promoted by the Governments of Australia and East Timor for hydrocarbon exploration in the area between Australia and Timor. As required, a Special Purpose Vehicle has been created for this project with BPRL forming a wholly owned subsidiary company named Bharat PetroResources JPDA Limited in October 2006. On this block, the Operator has reviewed the entire old seismic data and a contract for 3 D seismic acquisition and processing has been awarded.

BPCL, in consortium with different companies had been awarded 5 blocks in the NELP VI bidding round. These are 2 deep water offshore exploration blocks in the KG basin, 2 onland blocks in the Cauvery basin and 1 onland block in Rajasthan. BPCL has 10% participating interest in the offshore blocks and 20% participating interest in the onland Cauvery blocks, with ONGC as the Operator in all these blocks. In the Rajasthan block, BPCL has a 10% participating interest, with GAIL/GSPC being the Operator. The Petroleum Exploration Licenses for all the blocks have been received and seismic surveys have commenced for the 2 KG blocks and the Rajasthan block.

In February 2007, BPCL farmed into an offshore Australian block AC/P32 in the Timor Sea with 20% participating interest in the block. The other consortium partners for this block are M/s. Coogee Resources (Operator), Cosmo Energy, Westranch Holdings, Adelphi Energy Limited and Bounty Oil and Gas. A well in this block is planned in late 2008.

In March 2007, BPCL farmed into the offshore North Sea block 48/1b and 2c. The other consortium partners in this block are Encore (Operator), NWE Southerncross and Tata Petrodyne Limited, with each partner having a participating interest of 25%. A well on this block has been drilled and post drilling studies are being done.

The process of assignment of BPCL's blocks to BPRL is in progress and all the new upstream projects of BPCL are presently being undertaken through BPRL.

In September 2007, BPRL, in a 50-50 partnership with VIL, farmed into 10 offshore exploration blocks in Brazil, by buying the entire stake of Encana Brasil Petroleo Limitada, a 100% subsidiary of Encana Corporation, Canada. The deal is in the final stages of completion subject to statutory clearances in Brazil.

The accounts of BPRL and Bharat PetroResources JPDA Limited have been drawn up from the date of their respective incorporation to March 31, 2008 as both the companies had extended their first financial year. The Statutory Audit and audit by the Comptroller & Auditor General of India have been completed. The paid up capital of BPRL as on date stands at Rs. 1,025.53 million and its committed investment for all the projects in hand are to the tune of Rs. 15,000 million.

In order to have quick return on investment and keeping the goal of oil security, a number of other opportunities are being evaluated, both in India and abroad. Recently, BPRL, in a 50-50 partnership with VIL, has farmed into Anadarko's interests in offshore Area 1 in Mozambique. Due diligence is currently being carried out.

BPRL ultimately aspires to become an operator. It is in the process of enhancing the scientific capabilities available with the company. Apart from recruiting geoscientists, the company has also procured Interactive Work Stations for internal evaluation of seismic, geological, well-logging and testing data of different exploration and exploitation blocks. Today, BPCL is regarded as a serious player in the Exploration & Production sector, having participating interest in 13 blocks both in India and abroad and has an established relationship with international operators of repute like Petrobras, Anadarko etc. New opportunities are being evaluated in countries/regions like Brazil, West Africa, South-East Asia etc. besides India.

AWARDS AND RECOGNITION

BPCL won the prestigious PetroFed 'Oil & Gas Marketing Company of the Year' award for the year 2006-07. This Award is in recognition of BPCL's excellent performance in increasing volumes of products marketed and enhancing the customer base during 2006-07, while adhering to the stringent norms of health, safety and environment protection.

BPCL won the 'Excellent Water Efficient Unit Award - Beyond the Fence' at the National Awards for Excellence in Water Management 2007 conducted by Confederation of Indian Industry at Hyderabad. BPCL also bagged two more awards in the same event, i.e. 'The Most Innovative Case Study' and the 'Most Useful Presentation' for its water conservation project, 'BOOND'.

BPCL has scaled up its ranking to the 287th position during 2007-08 in the prestigious list of Fortune Global 500 as compared to the 325th position last year. Apart from BPCL, only six other Indian companies have made it to the list of top 500 companies compiled by Fortune magazine.

BPCL's young team brought laurels to the company at the prestigious 33rd National Competition for Young Managers conducted by the All India Management Association at Delhi. They bagged the coveted Best Team Award and Ms. Ankita Bakre won the Best Young Manager of the Year Award.

Mumbai Refinery won the Smart Workplace Award 2008 under the industrial manufacturing category. This Award is instituted by the Economic Times in association with IT majors, Acer and Intel.

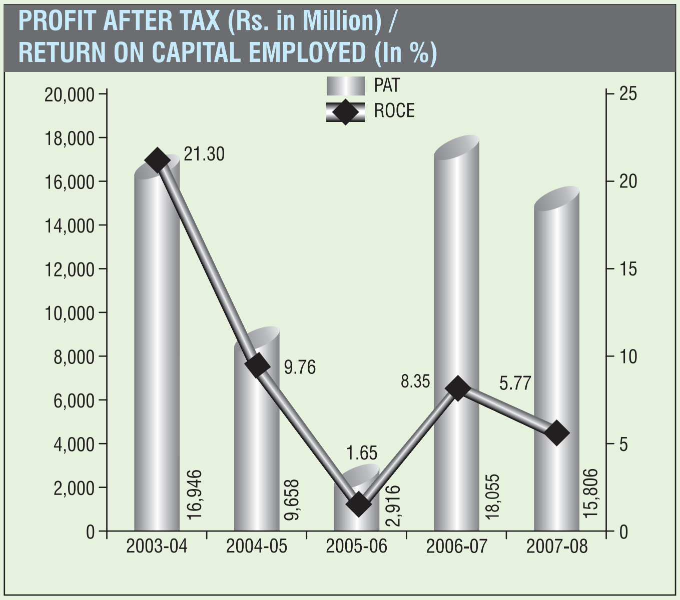
Mumbai Refinery won the Quest for Excellence Award under the large manufacturing category in the `The World Class Winners' of the " International Asia Pacific Quality Awards (IAPQA) 2008" from the Asia Pacific Quality Organisation (APQO), Phillipines. The award is presented to companies for world class quality performance who are chosen from more than 38 member countries. BPCL is the first oil company in India to have won this award since its inception in 1985.

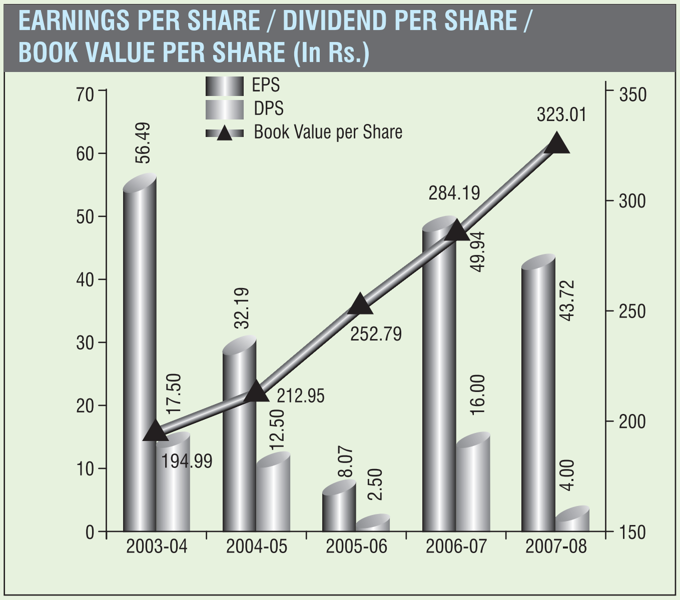
BPCL bagged the prestigious Association of Business Communicators of India (ABCI) awards, primarily in the Web Communication category, with the Intranet and Corporate Website Promotions winning the Gold Awards and the e-magazine, Petrozine winning the Silver Award.

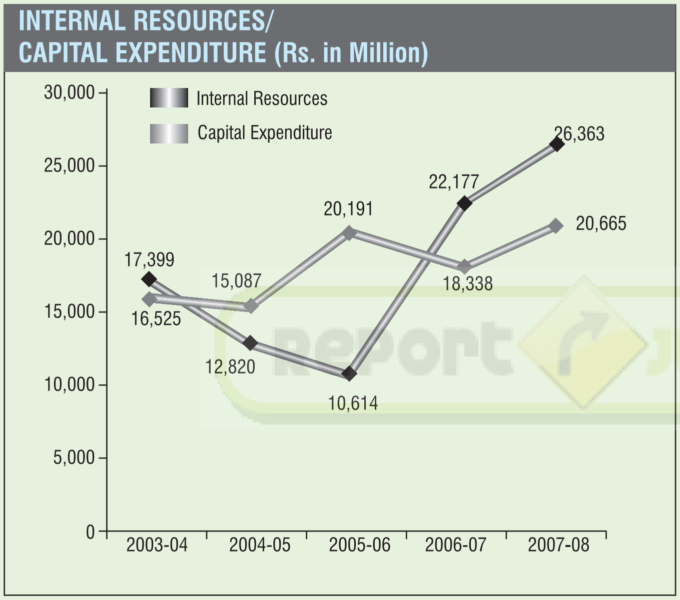
INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

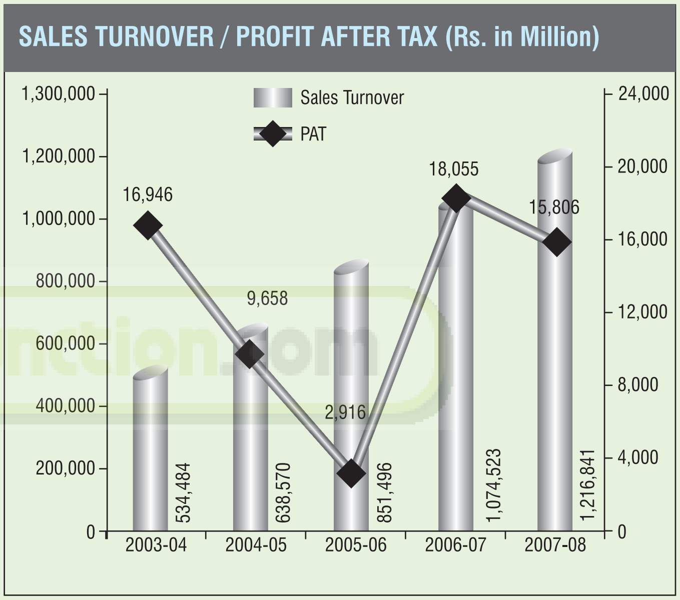
BPCL has a system of internal controls to ensure optimum utilization and protection of resources, IT security, speedy and accurate reporting of financial transactions and compliance with applicable laws and regulations, as also internal policies and procedures. For this purpose, the company has formulated a clearly defined organization structure, authority limits and internal guidelines, rules for all operating units and service entities. SAP R/3 and Business Information Warehouse systems have further enhanced the internal control mechanism.

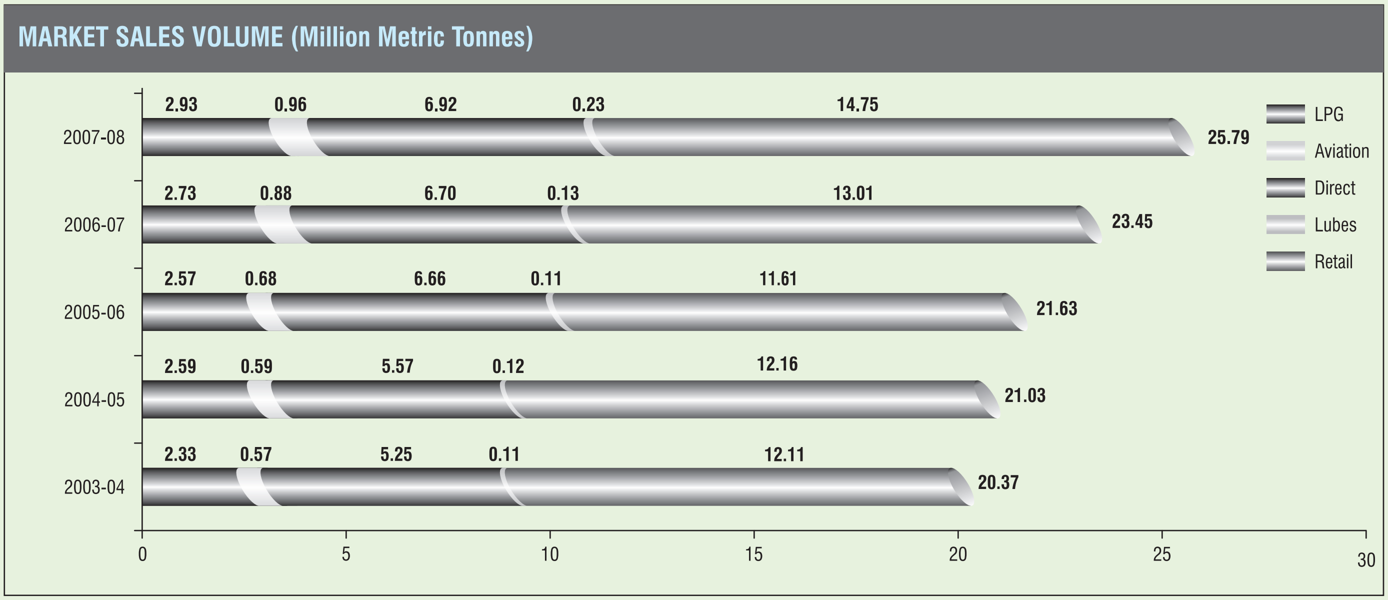
BPCL has an Internal Audit department consisting of experts from various functions, which supplements the review of key business processes and controls through regular audits. Audit reports, significant risk area assessment and adequacy of internal controls are also periodically reviewed by the Audit Committee through meetings held with Management, Internal Audit and the Statutory Auditors.



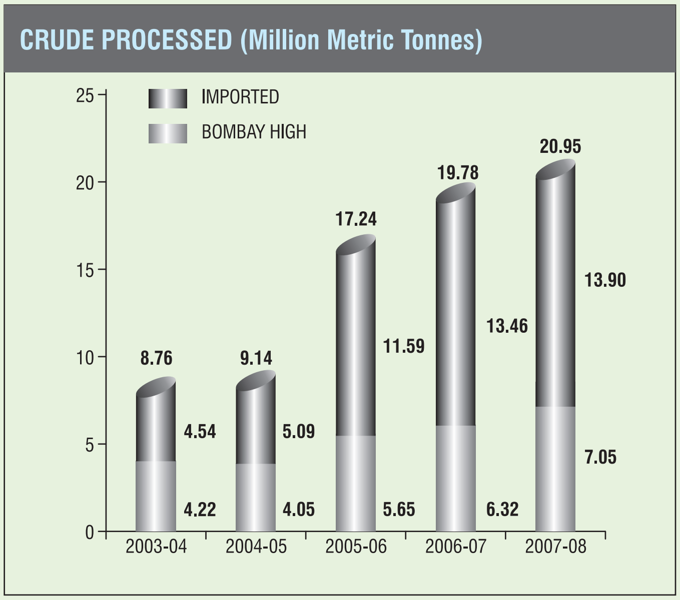


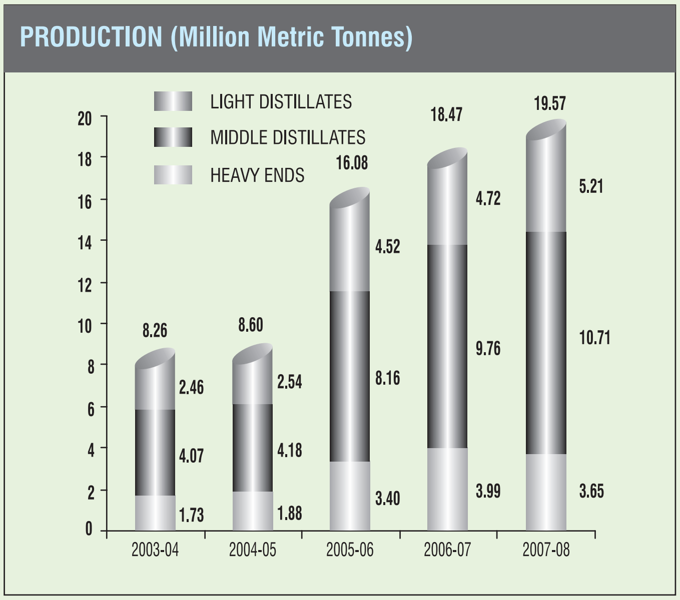


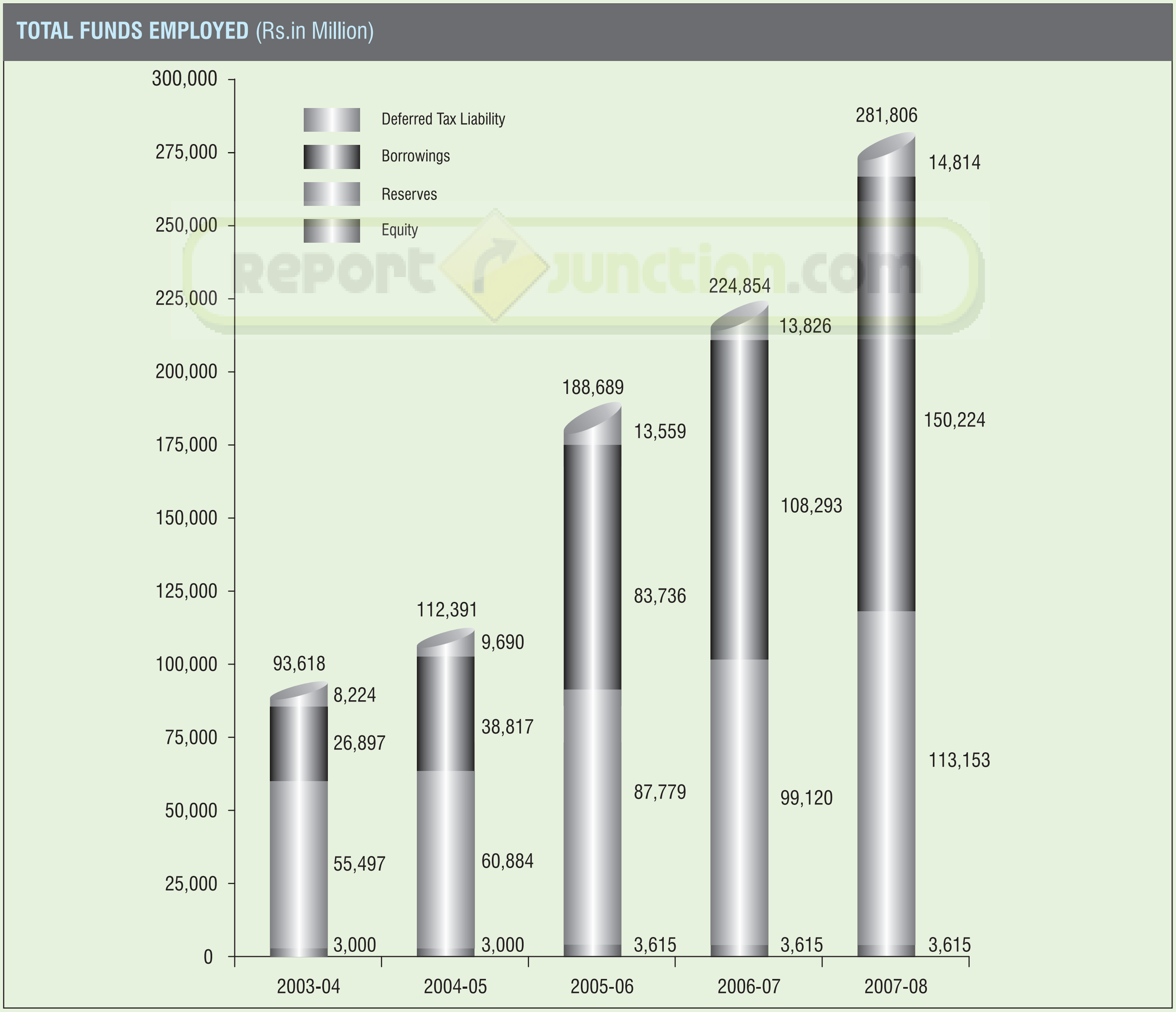




Note : The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

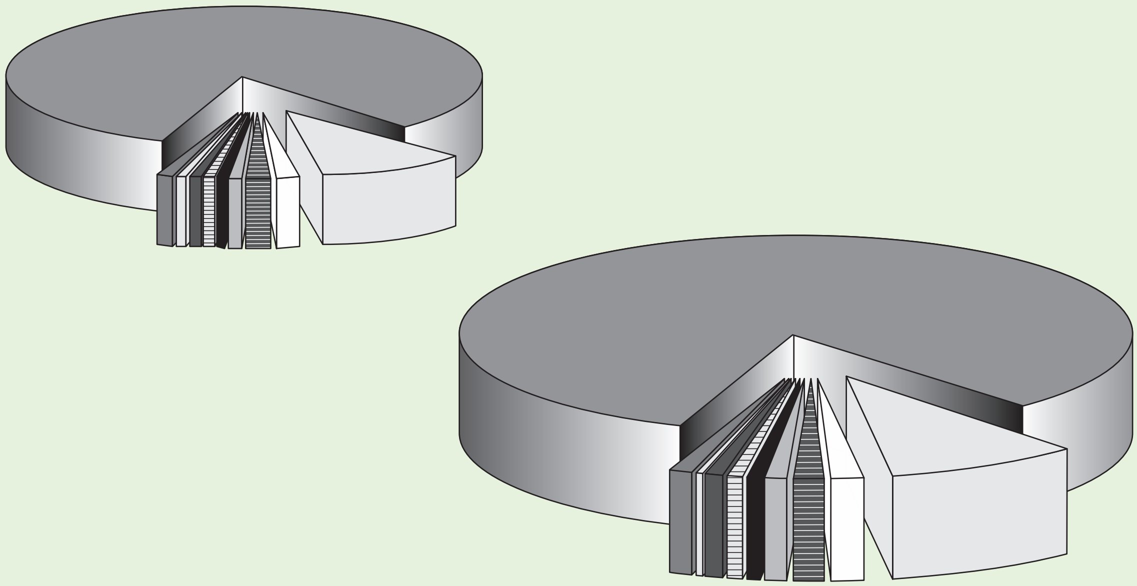






Note : The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

DISTRIBUTION OF EACH RUPEE EARNED



2006-2007	2007-2008	
81.76	82.93	Raw Materials, Purchase of Products for resale and packages
10.07	9.32	Duties, Taxes etc.
1.73	1.67	Transportation
1.62	1.48	Stores and other Operating Expenses
0.93	1.05	Employees' remuneration and other benefits
0.49	0.55	Interest on Borrowings
0.84	0.89	Depreciation
0.89	0.83	Income Tax
0.62	0.12	Dividend (including Corporate Dividend Tax)
1.05	1.16	Retained Profits

The Directors take pleasure in presenting their Report on the performance of Bharat Petroleum Corporation Limited (BPCL) for the year ended 31st March, 2008.

PERFORMANCE OVERVIEW

Group Performance

The aggregate Refinery throughput at BPCL's Refineries at Mumbai and Kochi along with that of BPCL's subsidiary company, Numaligarh Refinery Limited (NRL) in 2007-08 was 23.52 Million Metric Tonnes (MMT) as compared to 22.28 MMT in 2006-07. The market sales of the BPCL Group increased to 26.08 MMT in 2007-08 from 23.66 MMT in the previous year. Besides, the Group had also exported 1.93 MMT of petroleum products during 2007-08 as compared to 1.72 MMT exported in 2006-07.

On the financial front, the sales turnover for the year 2007-08 of the BPCL Group stood at Rs. 1,231,796.87 million, up from the last year's level of Rs. 1,090,789.38 million. The Group Profit after Tax (PAT) decreased to Rs. 19,125.25 million in the current year from a level of Rs. 23,558.80 million in 2006-07. After setting off the minority interest, the Group earnings per share decreased from Rs. 59.33 in 2006-07 to Rs. 48.94 in 2007-08.

CONSOLIDATED GROUP RESULTS

	2007-08	2006-07
Physical Performance		
Crude Throughput (MMT)	**23.52**	22.28
Market Sales (MMT)	**26.08**	23.66
Financial Performance		**Rs. in Million**
Sales / Income from Operations	**1,231,796.87**	1,090,789.38
Less: Excise Duty Paid	**(119,365.77)**	(106,597.07)
Net Sales / Income from Operations	**1,112,431.10**	984,192.31
Gross Profit	**50,270.42**	50,472.85
Interest	**7,148.91**	5,756.80
Depreciation & amortisation	**12,921.04**	11,020.77
Profit before tax	**30,200.47**	33,695.28
Provision for taxation – Current	**10,258.88**	10,055.98
Less: MAT Credit	**-**	(66.63)
Profit after Current Tax	**19,941.59**	23,705.93
Provision for Fringe Benefit Tax	**162.07**	139.62
Provision for taxation – Deferred	**587.02**	(60.94)
Short provision for Taxation in earlier years provided for	**67.25**	68.45
Net Profit	**19,125.25**	23,558.80
Minority Interest	**1,429.73**	2,106.85
Net Income of the group attributable to BPCL	**17,695.52**	21,451.95
Group Earnings per share attributable to BPCL (Rs.)	**48.94**	59.33

Company Performance

During the year 2007-08, BPCL's Mumbai Refinery had a crude throughput of 12.75 MMT, which was higher than the level of 12.03 MMT achieved during the last year. Kochi Refinery also achieved a higher crude throughput at 8.20 MMT as compared to 7.75 MMT in 2006-07. The market sales of the company increased to 25.79 MMT from a level of 23.45 MMT in 2006-07.

The sales turnover of the Company registered a growth of 13.24% over the previous year to reach a level of Rs. 1,216,840.69 million as compared to Rs. 1,074,522.70 million in 2006-07. Similarly, the gross profit before interest, depreciation and tax for the year stood at Rs. 43,679.65 million, representing an increase of 3.89% over the previous year. The profit before tax for the year of Rs. 25,972.87 million has declined by 6.16 % as compared to Rs. 27,676.44 million in 2006-07. After providing for tax, (including deferred tax and fringe benefit tax) of Rs. 10,167.26 million as against Rs. 9,621.69 million during the last year, the profit after tax for 2007-08 stood at Rs. 15,805.61 million as compared to Rs. 18,054.75 million in 2006-07, reflecting a decline of 12.46% over the previous year.

FINANCIAL HIGHLIGHTS

		Rs. in Million
	2007-08	2006-07
Sales Turnover – Gross	**1,216,840.69**	1,074,522.70
Gross Profit before Depreciation, Interest and Tax	**43,679.65**	42,044.22
Interest	**6,724.72**	5,326.66
Depreciation & amortisation	**10,982.06**	9,041.12
Profit before tax	**25,972.87**	27,676.44
Provision for Taxation - Current	**8,839.00**	9,168.50
Provision for Fringe Benefit Tax	**153.00**	117.30
Provision for Taxation - Deferred	**1,108.00**	267.53
Short provision for taxation in earlier years provided for	**67.26**	68.36
Net Profit	**15,805.61**	18,054.75
Transfer from/(to) Debenture Redemption Reserve	**-**	4,450.00
Balance brought forward from the previous year	**0.01**	26,829.10
Amount available for disposal	**15,805.62**	49,333.85
The Directors propose to appropriate this amount as under:		
Towards Dividend:		
Interim Dividend (declared & paid)	**-**	2,169.25
Final (proposed) Dividend - Rs. 4 per share	**1,446.17**	3,615.42
Towards Corporate Dividend Tax	**91.61**	918.68
For transfer to General Reserve	**14,267.83**	42,630.49
Balance carried to Balance Sheet	**0.01**	0.01
Summarised Cash Flow Statement :		
Cash Flows:		
Inflow/(Outflow) from operations	**4,171.30**	46,466.54
Inflow/(Outflow) from investing activities	**(35,539.52)**	(58,995.97)
Inflow/(Outflow) from financing activities	**(1,977.36)**	(3,236.47)
Net increase/(decrease) in cash & cash equivalents	**(33,345.58)**	(15,765.90)

The Board of Directors has recommended a dividend of 40% (Rs.4 per share) for the year on the paid-up share capital of Rs.3,615.42 million, which would absorb a sum of Rs. 1,537.78 million out of the profit after tax, inclusive of Rs. 91.61 million towards Corporate Dividend Tax on distributed profits. BPCL's net worth as on 31st March, 2008 was Rs. 116,768.40 million, as compared to Rs. 102,735.41 million as at the end of the previous year.

The earnings per share stood at Rs. 43.72 in 2007-08 as compared to Rs. 49.94 during 2006-07. Internal cash generation during the year was higher at Rs. 26,363.28 million as against Rs. 22,177.03 million in the previous year. BPCL's contribution to the exchequer by way of taxes and duties during the year increased to Rs. 260,475.75 million from Rs. 243,562.22 million during the last financial year.

Borrowings from banks as on March 31, 2008 stood at Rs. 133,402.49 million as against Rs.91,179.57 million at the close of the previous year. The Collateralised Borrowing and Lending Obligation (CBLO) through Clearing Corporation of India Limited amounted to Rs. 10,000 million as at the end of the year, as compared to Rs. 8,660 million at the end of the previous year. Borrowings from Oil Industry Development Board decreased to Rs. 6,532.40 million as compared to Rs. 7,681.40 million at the end of the previous year.

Public deposits as at 31st March 2008 stood at Rs. 288.02 million as compared to Rs. 626.11 million at the end of the previous year. The amount of deposits, matured but unclaimed, at the end of the year was Rs. 4.81 million, which pertains to 67 depositors.

The total Capital Expenditure during the year 2007-08 amounted to Rs. 20,665.22 million as compared to Rs. 18,338.12 million during the year 2006-07.

The Comptroller and Auditor General of India (C&AG) has no comment upon or supplement to the Statutory Auditors' report on the Accounts for the year ended 31st March 2008. The letter from C & AG is annexed as Annexure E.

REFINERIES

MUMBAI REFINERY

During the year 2007-08, Mumbai Refinery processed 12.75 MMT of crude oil, as against 12.03 MMT processed in 2006-07, thereby achieving the highest level of crude oil processing in a single financial year. The gross refinery margin for the current year stood at USD 4.60 per barrel of crude oil processed, as compared to USD 3.64 per barrel in 2006-07. This translated into an overall gross margin of Rs. 17,728.70 million, as compared to Rs. 14,908.40 million in 2006-07. The improvement in the gross margin was achieved through optimised crude selection, improved distillate yields, better product mix and favourable crude/product prices.

KOCHI REFINERY

During the year 2007-08, Kochi Refinery also achieved its highest ever crude oil processing in a single financial year. The Refinery processed 8.2 MMT of crude oil during the year, as compared to 7.75 MMT of crude oil in 2006-07. The gross margin in 2007-08 stood at USD 7.18 per barrel of crude processed, as compared to USD 3.46 per barrel during 2006-07. The improvement in the gross margin was due to optimised crude selection, higher capacity utilization, improved distillate yields and favourable crude/product prices.

The details of the performance of the Refineries, their activities and future plans are discussed in the Management Discussion and Analysis Report (MD & A).

MERGER OF KRL WITH BPCL

As informed in the last year's Report, the merger of the erstwhile Kochi Refineries Limited (KRL) with BPCL under Sections 391 to 394 of the Companies Act 1956 had been completed, following receipt of the Order dated 18th August 2006 issued by the Ministry of Company Affairs, New Delhi. One of the Shareholders of the erstwhile KRL had filed a Writ Petition in the Delhi High Court challenging the merger, and the same is pending as on date.

MARKETING

During the year, BPCL's market sales volume reached a level of 25.79 MMT, which represented a growth of 9.98% over the volume of 23.45 MMT achieved in 2006-07. BPCL's growth rate was better than the average growth rate of 9.7% achieved by the public sector oil companies. BPCL's market share amongst the public sector oil companies of 22.7% as at 31st March 2008 reflected a small increase over the levels as at the end of the previous year, when it stood at 22.6%. In line with the

overall market, the year 2007-2008 saw a continuation in the sharp growth in the sales volume of Motor Spirit (MS) and High Speed Diesel (HSD). Sales volume of Aviation Turbine Fuel (ATF) and Liquefied Petroleum Gas (LPG) also increased during the year, while there was a decline in the sales of Benzene and Naphtha. BPCL achieved the highest growth in the Industry with regard to sales of Bitumen and Lubricants. In addition, BPCL has also exported 1.16 MMT of Naphtha, 0.47 MMT of Fuel Oil (FO) and 0.15 MMT of HSD during the year.

A detailed discussion of marketing performance is covered in the MD & A.

PROJECTS

Central India Refinery Project

A 6 Million Metric Tonnes per annum (MMTPA) capacity state-of-the-art grass roots Refinery at Bina, in Madhya Pradesh along with crude oil import facilities consisting of a Single Point Mooring (SPM) system, Crude Oil Storage Terminal (COT) at Vadinar and approximately 935 km long cross-country crude oil pipeline from Vadinar to Bina is being set up by the Joint Venture Company, Bharat Oman Refineries Limited (BORL). BORL has been promoted by BPCL and Oman Oil Company Limited (OOCL), with both the partners having contributed Rs. 755 million each towards the equity share capital.

The as built capital cost of the refinery is estimated to be Rs. 103,780 million, comprising expenditure towards land & site development, plant & machinery, licenses, know-how & basic engineering, Project Management Consultancy & other Consultancy, civil works & infrastructure, township, start-up expenses, contingencies, interest during construction, margin money for working capital etc. The project is proposed to be financed at a debt / equity mix of 1.6:1 and is expected to be commercially operational by December 2009.

With OOCL having decided to limit its equity contribution to the present level of Rs.755 million, BPCL has, with the approval of the Government of India, decided to enhance its equity contribution in BORL upto 50%, amounting to Rs. 19,960 million. The sum of Rs. 9,000 million contributed by BPCL in 2006-07 towards subscribing for fully convertible debentures to be issued by BORL has since been converted into Share Application money for allotment of equity shares to BPCL. BPCL's total equity contribution in BORL as at March 31, 2008 stands at Rs. 9,755 million. As at 31st March 2008, BORL's net worth stood at Rs. 1,456 million and the book value per share was Rs. 9.64. During the month of May 2008, BPCL has made a further contribution of Rs. 4000 million towards Share Application money. BORL has filed the Draft Red Herring Prospectus (DRHP) with the Securities Exchange Board of India (SEBI) for an Initial Public Offer (IPO) of its shares.

Work on the project is progressing smoothly. After completing the process design work, order for all major equipment for processing units and facilities, namely columns, vessels, high pressure reactors and other long lead items have been placed. Site grading work, road work and boundary work at the refinery, as well as at the Crude Oil Terminal, have been completed. The Hostel building at the refinery township is functional. Construction and erection work for the various units are in progress at the refinery site. The overall physical progress achieved till July 15, 2008 is 66.3% and commitments made are in excess of Rs. 92,000 million. Based on current trends, the refinery is expected to be commissioned as per schedule in December 2009.

Bina Despatch Terminal

BPCL has entered into the product purchase and sale agreement with BORL and would be undertaking the marketing of the refined products from the new refinery at Bina in Madhya Pradesh. The dispatch terminal is planned to facilitate the marketing of products from the refinery. The project envisages setting up of storage and dispatch facilities viz. multi-product rail / road gantries for loading tank wagons/trucks, necessary product storage facilities including 4.45 lakh Kilolitres (KL) White oil tanks, 8400 Metric Tonnes (MT) LPG mounded storage and LPG Bulk dispatch facilities, along with associated pumping units, electrical, instrumentation and fire fighting facilities adjacent to the refinery complex at Bina. The approved cost of the project is Rs. 4,907.1 million. The project is slated for commissioning in line with the commissioning of the refinery.

Project Management Consultancy for the Terminal and for Railway siding work has been awarded. All major orders have been finalized. White Oil Tankage, LPG mounded storage, construction of civil buildings/roads/

drains are in full swing. Civil works for the Railway siding have been awarded. The physical progress achieved has been around 24% and the cumulative expenditure on the project till May 31, 2008 was Rs. 1,028.3 million.

Bina Kota Pipeline Project

The project envisages the laying of an 18” dia, 265 km long cross-country product pipeline from Bina to Kota, to facilitate the economic evacuation of MS, HSD, Superior Kerosene Oil (SKO) and ATF from the new refinery at Bina. The pipeline will be connected to the existing multi-product Mumbai-Manmad-Manglya-Piyala-Bijwasan pipeline at Kota, in order to facilitate distribution of the products from the Bina refinery to the markets in the northern region. The pipeline is designed for an initial throughput of 2.8 MMTPA and is estimated to cost Rs. 4,058.2 million.

Detailed route survey / Cadastral survey has been completed. Geotech investigation for rivers has also been completed. Exemption from the Ministry of Environment & Forests has been obtained. Negotiation for procurement of land for 6 stations out of 8 stations has been completed. Nearly 85% of all the No Objection Certificates (NOCs) have been obtained. Project Management Consultancy has been awarded to Engineers India Limited. Orders have also been placed for line pipes and OFC cables. Physical progress of around 22% has been achieved. The project is slated for commissioning in line with the commissioning of the refinery.

Uttar Pradesh Refinery Project

The Company has plans for setting up a new grass roots refinery in the State of Uttar Pradesh, which would help in meeting its long term product requirements. However, work on the implementation of the project is expected to start only after the ongoing new refinery project at Bina in Madhya Pradesh is complete and the refinery commences its operations.

Capacity Augmentation of the Mumbai-Manmad-Manglya Multi-product Pipeline

BPCL is transporting petroleum products from its Mumbai Refinery through a 252 km long 18” dia. multi-product pipeline to Manmad terminal and further through a 358 km long 14” dia. multi-product pipeline to Manglya terminal. The extension of the Mumbai-Manmad-Manglya pipeline to Piyala and the feeder line from Piyala to Delhi were commissioned in 2006-07. During the current year, the capacity augmentation of the Mumbai-Manglya multi-product pipeline has been completed and commissioned at a cost of Rs. 1,170 million. This has enhanced the pipeline capacity from 4.3 MMTPA to 6 MMTPA in the Mumbai-Manmad section and from 1.4 MMTPA to 3.5 MMTPA in the Manmad-Manglya Section. These changes would help to economically evacuate the additional products from the Mumbai refinery to cater to the requirements of the northern region of the country.

Capacity Expansion cum Modernization Project (CEMP) – Phase II at Kochi Refinery

This project envisages facilities for production of auto fuels i.e. MS & HSD conforming to Euro-III/IV equivalent norms and capacity expansion of the refinery from the present 7.5 MMTPA to 9.5 MMTPA. While the project activities are in progress, prices of commodities like steel have increased substantially. Accordingly, Engineers India Limited, who are the consultants for the project, have worked out the revised cost based on March 2008 prices. The project is estimated to cost Rs.39,414.1 million, including a foreign exchange component of Rs.4,918.4 million. The project is slated for completion in December 2009.

Cumulative physical progress as on May 31, 2008 was 30.04% and the cumulative expenditure till that date was Rs. 3,172 million. Commitments made till the end of May 2008 stood at Rs. 22,565 million.

Crude Oil Receipt Facilities at Kochi

The crude oil receipt facilities project consisting of SPM, Shore Tank Farm, associated pipelines and pumping facilities to enable receipt of crude oil in Very Large Crude Carriers (VLCC) was mechanically completed on November 30, 2007. The first tanker was moored to the SPM buoy on December 3, 2007 and the first VLCC tanker on January 30, 2008. The project was completed within the approved cost of Rs. 8,210 million. The use of VLCC for transporting crude oil to Kochi will lead to a significant reduction in the freight cost of both the Kochi and Mumbai refineries.

Fuels Quality Upgrade Project at Mumbai Refinery

The objective of the project is to make plant modifications for improving the quality of MS & HSD to meet the Euro IV equivalent norms for meeting the demand in Mumbai from April 2010. The project involves revamping of the existing Diesel/Naphtha

Hydrodesulphurisation unit and putting up FCC gasoline splitting facilities. Implementation activities for the project, with an approved cost of Rs. 3,900 million, have commenced. The process packages have been received. Purchase orders for all long delivery items have been placed. The project has achieved a physical progress of 15.89 % and the cumulative expenditure as on May 31, 2008 was Rs. 61.4 million. The commitments made have exceeded Rs. 500 million. The project is scheduled for completion in January 2010.

Further, to increase the production of Euro IV MS & HSD and improving profitability, Mumbai Refinery has taken action to build a 900 TMTPA Continuous Catalytic Regenerative (CCR) Reformer unit and revamp the existing Hydrocracker unit at a cost of Rs. 8250 million. This will help to meet the additional requirements of Euro IV fuels in future, and pave the way for further upgrading the quality to meet higher standards like Euro V.

Revamp of Bitumen Blowing Unit at Kochi Refinery

For meeting the demand of new grades of Bitumen products and new specifications of paving grade Bitumen as per Bureau of Indian Standards, Kochi Refinery has installed a new Bitumen Blowing unit at an approved cost of Rs. 292 million using Biturox technology. The unit was commissioned on June 19, 2008. The new Biturox unit was installed, instead of the existing conventional Bitumen Blowing Unit, to manufacture different grades of Bitumen like Penetration Grade, Viscosity Grade and Multi Grade as per the proposed future specifications for Bitumen. The unit design incorporates environment friendly features of reactor off gas incinerator followed by flue gas scrubber, making it the cleanest unit of its kind in the world. Also, about 2 TPH MP steam (equivalent to about 600 Tonnes per annum fuel oil) is produced by waste heat recovery from incinerator off gases.

Propylene Recovery Unit (PRU)

A Propylene recovery unit (PRU) to produce 50,000 MT per annum of 95 % purity chemical grade propylene is being set up in Kochi Refinery. The project, costing Rs. 950 million, is scheduled to be completed by March 2009.

RESEARCH & DEVELOPMENT (R&D)

Research and development (R&D) is an integral part of BPCL's strategy for achieving sustainable growth and profitability. To enhance R&D capabilities, BPCL is continuously strengthening the infrastructure and manpower resources at its Corporate R&D Centre, Greater Noida, Uttar Pradesh as well as at its Product & Application Development Centre, Sewree, Mumbai and the R&D Centre at Kochi Refinery. BPCL's initiatives in the area of R & D are discussed separately in the MD & A.

Further, the areas covered under R & D and the benefits derived from R & D activities are detailed in Form B of Annexure A to the Directors' Report.

NON-CONVENTIONAL ENERGY INITIATIVES

BPCL has been undertaking several initiatives in the area of non-conventional energy sources. The current year saw the continuation of efforts in this area.

With a view to generate power required for captive consumption using renewable sources, 5 MW capacity windmills have been put up in the state of Karnataka at a cost of Rs. 260 million. Work on the project was completed in July 2007 and the windmills are currently in operation. The generation of electricity is in line with the plan.

During the year, BPCL has identified Maharashtra & Rajasthan as two states for setting up windmills. It is proposed to install 10 MW capacity windmills at an estimated project cost of Rs.520 million in the two states. The capacity in each state will be 5 MW, involving an outlay of Rs. 260 million and the project will be progressed once the availability of land is firmed up.

A 1 MW capacity grid connected Solar farm is proposed to be set up at BPCL's LPG Bottling plant in Lalru in the state of Punjab. The technical and financial evaluation of the proposal are under process. Discussions are also on with Punjab Energy Development Authority for connecting the Solar farm to the grid, release of payment for the electricity generated and other related matters.

A prototype for studying Hydrogen Fuel Cell technology has been developed at Bangalore LPG Plant. The project involves production of Hydrogen by electrolysis of water with potassium hydroxide as catalyst. The energy required for electrolysis is generated using a small windmill of 1.5 KW which can work with limited wind speed of 5 m/s. The Hydrogen produced is supplied to a 1.2 KW capacity Proton Exchange Membrane Fuel Cell, which in turn generates power for use in the yard lighting of the LPG Bottling plant at Bangalore. As there is no use

of energy from outside, the system is renewable and regenerative. Fossil fuels convert chemical energy into mechanical energy and then to electrical energy, thereby generating noise and air pollution. However, in fuel cell technology, chemical energy is directly converted into electrical energy and thus, pollution is eliminated. In the next stage of development, the use of Hydrogen will be extended for Administration building lighting and for powering of personal computers.

BPCL has also continued with its foray into the Biodiesel Value Chain. Surplus land at the existing supply locations and LPG bottling plants has been identified and the process of plantation of Jatropha trees has continued. The fruits of these plantations would be available in 2 – 3 years. The plantation will continue in the coming years in locations where vacant land is identified.

In addition, BPCL has held discussions with various State Governments to set up the Biodiesel Value Chain. In the state of Uttar Pradesh, the proposal has reached an advanced stage, with the Government agreeing to support the project by encouraging the Panchayats to grow Jatropha plants on their land, with the payment for saplings / seedlings including cost of plantation etc. being released from the National Rural Employment Guarantee (NREG) Scheme. The Government of Uttar Pradesh has issued orders to this effect on 25th March 2008, based on which the Board has approved the setting up of the Biodiesel Value Chain in the State. The project envisages plantation in 1 million acres of wasteland and production of Biodiesel of 1 million tonnes, which would provide employment / self-employment to 1 million people by the year 2015.

A joint venture company, Bharat Renewable Energy Limited has been formed, which will be responsible for the collection of Jatropha fruits and the process of crushing the fruits, esterification etc. The new company has been formed as a joint venture company between BPCL, Nandan Biomatrix Limited, Hyderabad, who have expertise in agri-business and Shapoorji Pallonji Co. Limited, a leading player in the construction arena. The State Government of Uttar Pradesh has provided a list of 30 Districts, where wasteland of around 10 lakh acres are under identification by local Village Panchayats and the same would be submitted to the District Collector. The new company is expected to launch the activities, initially for an area of 2 lakh acres in the ensuing monsoon, for which identification of land and process to set up a Nursery Production Centre has been initiated in Chitrakoot Region. The total cost for the entire project is expected to be of the order of Rs. 22,000 million.

BPCL has also approached the Government of Chhattisgarh to sign a Memorandum of Understanding to take on lease 1 lakh acres of land, which will be put under Jatropha cultivation for producing 1,00,000 tonnes of Biodiesel every year. It is estimated that the total project cost would be approximately Rs.5,000 million.

Ethanol Blended Petrol

The Ministry of Petroleum & Natural Gas has notified marketing of 5% Ethanol Blended Petrol (EBP) in 20 States & 4 Union Territories. Public tenders, which were floated for Ethanol procurement for all the notified States & Union Territories in September 2006, have been finalized for 17 states, while for 3 states the same could not be finalized, due to high rates or on account of stipulated excise procedures not permitting the same.

INDUSTRIAL RELATIONS

The Industrial Relations have been peaceful throughout the year, except when there was a brief industrial unrest in April 2007 in respect of an incentive payment. However, there was no impact on company operations. Extensive communication on business and other related issues were undertaken between all stakeholders i.e. management, employees and their associates / Unions during the year.

FULFILLMENT OF SOCIAL OBLIGATIONS

As a responsible corporate citizen, BPCL accords importance to Corporate Social Responsibility (CSR) and takes it as one of the areas of focus. CSR is a part of the overall vision of the Corporation, touching the pulse of rural & tribal India. Community Development Programs were undertaken to bring all round development in adopted villages, consisting of economically and socially backward population and significant resources were allocated towards these activities. Sustainability of the initiatives is the key motto, factoring in the needs, community and cultural sensitivities.

Developmental activities were undertaken in adopted villages across the country. The main impetus of activities was given in the fields of health, education, infrastructure development and usage of non-conventional alternate energy sources. In all the

Community Development programs, BPCL propagates energy conservation and ecological balance through methods such as afforestation, rainwater harvesting, re-generation of mangroves and promotion of usage of alternate fuel sources such as Bio-Gas, Solar Energy etc.

In the year 2007-08, groups of women / youth from various communities in India were imparted training for livelihood support through activities like zardosi work, sericulture, candle and incense stick making etc. All the trained women are now supplementing the family income through the newly acquired skills. A lot of emphasis was laid on the formation of Self Help Groups (SHGs) in the communities. In a few villages of Orissa, through such SHGs, banana & papaya fruit saplings were given to the villagers, who were also provided market linkages. BPCL also supported the construction of a female maternity ward along with ultrasound machine in Vivekananda Tribal Hospital in Jagdalpur, Bastar, Chattisgarh, which caters mainly to the tribal population residing in the area. This effort led to the bettering of pre-natal & post-natal care.

Under Project 'Boond', BPCL, in collaboration with the NGO, 'The Bridge Trust' and with the financial assistance received from the Oil Industry Development Board, has transformed 9 villages near Kasara Ghat in Thane District, Maharashtra, converting them from 'water scarce to water positive'. The work mainly comprised repairs / deepening of wells, building bunds to capture and store rainwater, repairs and leak proofing of existing bunds, building water tanks, construction of underground bunds, construction of Kolhapur Type (KT) weir dams, construction of gabions etc. The project was executed through complete village participation. For this project, BPCL received the 'Excellent Water Efficient Unit Award-Beyond the Fence' at the National Awards for Excellence in Water Management 2007 from the Confederation of Indian Industry (CII). BPCL also bagged the award for the 'Most Innovative Case Study' in the area of water management.

Promotion of Sports

BPCL sportspersons continued to excel in the national as well as international sports arena in the disciplines of Cricket, Hockey, Badminton, Chess, Table Tennis, Kabaddi, Volleyball, Billiards, Snooker, Bridge and Golf. BPCL's sportspersons have won several distinctions and plaudits. G.N.Gopal and Abhijit Gupta achieved the Grand Master norm in chess. There are a few more who are waiting in the wings to achieve this title. BPCL continues to contribute to the national sports contingents by way of adding players to national teams. S.Sreesanth and Pragyan Ojha in Cricket, Tushar Khandekar, William Xalxco and Ravi Pal in Hockey, Poulami Ghatak and Neha Agarwal in Table Tennis, Saina Nehwal, Anup Sridhar, Arvind Bhat, Jwala Gutta, Shruti Kurian and Aditi Mutatkar in Badminton, and Marianne Karmarkar in Bridge, represented India in various international events and won accolades. BPCL had a presence in the Beijing Olympics with Anup Sridhar and Saina Nehwal in Badminton and Neha Agarwal in Table Tennis being part of the Olympic contingent. Jitesh Joshi, Nilesh Shinde and Nitin More were members of the Maharashtra Kabbadi Team which won the National Championship title after 28 years. Manan Chandra won the Bronze medal in the snooker event at the Asian Indoor Games held at Macau in October 2007. The recently concluded Indian Premier League T20 cricket tournament saw BPCL's Abhishek Nayar, Pragyan Ojha, Uday Kaul, S Sreesanth and Anup Revandkar in action. BPCL was awarded the President's PSPB Trophy for II Runner-up during the year by virtue of points obtained in various Petroleum Sports Promotion Board (PSPB) tournaments.

SC/ST Employees

Details relating to employees belonging to Scheduled Caste (SC), Scheduled Tribe (ST) and Other Backward Classes (OBC) are given in Annexure D.

Persons with Disabilities

BPCL has been providing reservations and concessions for Persons with Disabilities since 1981, based on Government instructions. The reservations were earlier provided for Group C and Group D posts. However, after the enactment of "The Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation), Act 1995", the reservations have been extended to posts in Group A and Group B with effect from February 1996. The company has identified positions in Group A & B, positions which could be reserved for filling up by persons with disabilities It is the Company's endeavor to achieve the desired percentage for persons with disabilities during direct recruitment. BPCL has 210 persons with disabilities employed in the organisation as at 31st March, 2008.

Various concessions and facilities are extended to the persons with disabilities including age relaxation of

5/10 years, giving them a sympathetic consideration during interviews, provision of hearing aids for hearing impaired persons, appropriate equipment required by orthopaediacally challenged persons and special 'talking' computers for the visually handicapped staff. Besides, the Company has made special efforts for implementation of the National Policy for persons with disability.

IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

The Official Language Implementation Committees function at the Corporate, Regional and Location levels, in order to promote the use of Hindi at workplaces. These Committees review from time to time the progress made in Official Language Implementation. Several Hindi workshops and meetings of the Hindi Co-ordinators were organized in BPCL. The First Sub-Committee of the Parliamentary Committee on Official Language inspected six locations and Rajbhasha Vibhag of Ministry of Petroleum & Natural Gas carried out inspections at six locations. Similar inspections were carried out by Rajbhasha Vibhag, Ministry of Home Affairs. All these Committees expressed their appreciation for the efforts taken by BPCL.

"Unlimited License" for Hindi Software "ISM V5 Office" has been procured for all BPCL Offices and "Hindi Software Training" programs are being carried out in batches in all the Regions and the two Refineries. BPCL was accorded with the "Rajbhasha Kirti Sammaan" by Bhartiya Rajbhasha Vikas Sansthan, Dehradun. Kochi Refinery won the Rajbhasha Rolling Trophy instituted by Kochi Town Official Language Implementation Committee. BPCL has also assisted the Ministry of Petroleum & Natural Gas in the preparation / development of "Petroleum Shabdavali."

An attractive Incentive Scheme is in vogue to further enhance Official Language Implementation within the company. Various competitions and cultural programs were organized at work locations during the Hindi fortnight celebrations from 14th- 28th September, 2007.

CITIZENS' CHARTER

Citizens' Charter - a tool for ensuring transparency in educating and communicating with the customers about their rights, apart from various infrastructure / services being available for the customers, is always in the forefront of all activities of the Company. Efforts are made to enhance customer service levels. The Grievance Redressal Mechanism was taken care of with well established systems at various consumer contact points. Besides, BPCL has sought to leverage technology by making available a feedback module in its website, which the customer has access to. Customers are encouraged to write in their complaints to the feedback module and efforts are made to reply to the feedback within 24 to 48 hours. In case of complex issues, it is escalated to the next higher level, where the matter is sorted out in the next 7 to 10 days. A continuous monitoring system has been put in place to review the pattern of complaints and feedback on the basis of which the persistent problem areas are attended to.

The Right to Information Act, 2005 has been implemented in BPCL. People across the organization are familiar with the Act and BPCL has a unique single window concept of all replies under the Act. During the period ending March 31, 2008, BPCL has received 888 requests for information and only 45 cases were referred to the Chief Information Commissioner. None of the cases had any punitive action.

VIGILANCE

Corporate Vigilance in a public sector entity is no longer secondary to corporate performance and goes hand in hand with good business. With the emphasis on good Corporate Governance, there is a need for Vigilance now to go beyond their traditional roles and become an integral part of business strategy. Corporate Vigilance encourages ethical standards and sound business practices.

The Central Vigilance Commission (CVC) has strongly emphasized that Vigilance is an integral part of public administration and the key to minimize corruption. The role of Corporate Vigilance in BPCL has become multi-dimensional today – disseminating preventive vigilance measures, facilitating commercial decision making with transparency and accountability and facilitating & strengthening systems, not only in the area of procurement, but in all spheres of operations. Corporate Vigilance in BPCL communicates the important guidelines issued from time to time by CVC and ensures that they are always deliberated at the highest levels and implemented at the earliest.

CVC had issued comprehensive directives on leveraging of technology for increasing transparency. Realizing the

importance of effective implementation of technology as a means of increasing productivity, BPCL has already implemented many of the initiatives contained in the illustrative list attached to the circular of the CVC. Major initiatives implemented are the ERP System, e-Procurement and the Integrity Pact.

The implementation of these initiatives has also seen the development of new risks, which have exposed the Company to new forms of fraud, corruption and other malpractices. It is now the endeavour of Corporate Vigilance to identify new areas of risk and to develop new risk management tools and integrate them into the main business processes.

BPCL has gone in for implementation of the Integrity Pact. With the approval of the CVC, 3 Independent External Monitors have been appointed and workshops have been held with the majority of vendors to enroll them in this program.

Periodic/surprise inspections of various Retail Outlets/ LPG Distributors/locations etc. were carried out by Corporate Vigilance along with the concerned officials from the business units. Inspections of major works were undertaken in line with the inspections carried out by the Chief Technical Examiner. The observations during such inspections were brought to the notice of the concerned departments along with specific recommendations for corrective action.

Vigilance Awareness Week was observed from 12th to 16th November, 2007 at all locations throughout the country with active participation by customers, clients, dealers, distributors and all other stakeholders.

The changes brought about by the consistent efforts of Corporate Vigilance, BPCL in the areas of transparency, fairness and consistency, have culminated in the signing of an MOU with Transparency International India for adoption of the Integrity Pact.

SUBSIDIARY COMPANIES

Numaligarh Refinery Limited (NRL)

BPCL held 61.65% of the paid up equity in Numaligarh Refinery Limited (NRL) as on 31st March, 2008. NRL, which is a Mini Ratna company (Category I), has a 3 MMTPA refinery at Numaligarh in Assam. As on 31st March, 2008, the refinery achieved 2233 days of continuous Lost Time Accident (LTA) free operations (more than 6 years) with 10.29 million cumulative LTA free man-hours since its last LTA on February 18, 2002. The quantum of crude oil processed during the year 2007-08 was 2.57 MMT as compared to 2.50 MMT during the previous year. As at 31st March, 2008, NRL had a net worth of Rs.22,440.97 million with a book value of Rs.30.51 per share. For the year ended 31st March, 2008, NRL achieved a turnover of Rs.87,641.59 million and earned a profit after tax of Rs.3,728.11 million, as against a turnover of Rs.79,303.22 million and profit after tax of Rs.5,688.03 million in the previous year. The Board of Directors of NRL has recommended a dividend of Rs.2.00 per share as against Rs.2.50 per share in the previous year. NRL has till the end of March 2008, commissioned a total of 108 retail outlets, of which 61 are in the north-east region of the country.

NRL was awarded the TERI Corporate Environment Excellence Award for the year 2008. The award, instituted by 'The Energy and Research Institute', is in recognition of the leadership efforts towards Environment Management and Innovative initiatives amongst Corporations with turnover above Rs. 500 crores. NRL also won the 'Greentech Gold Safety Award 2008' instituted by Greentech Foundation, New Delhi in recognition of the efforts for excellent environment management. The company was also the recipient of the National Energy Conservation Award 2007 (2nd Prize) in the Refineries sector instituted by the Bureau of Energy Efficiency (BEE) under the Ministry of Power. NRL has also been selected for 'Oil Industry Safety Awards 2007-2008' (2nd Prize) instituted by the Oil Industry Safety Directorate for excellence in safety performance and 'Oil and Gas Conservation Awards for 2008' (2nd Prize) in the areas of 'Furnace /Boiler Efficiency' under Category –2 for Group –1 refineries instituted by Centre for High Technology (CHT).

Bharat PetroResources Ltd (BPRL)

With an authorized capital of Rs.10,000 million, Bharat PetroResources Ltd (BPRL) was incorporated on 17th October 2006 as a wholly owned subsidiary of BPCL. The company has been formed to implement BPCL's plans in the exploration and production sector. The subscribed share capital of BPRL as on March 31, 2008 was Rs.1,025.53 million. BPRL would exercise all the rights acquired and perform all the obligations undertaken by BPCL before the incorporation of BPRL under various agreements for participation, in consortiums for exploration and production of petroleum,

crude oil and natural gas. As at 31st March, 2008, BPRL has participating interests in 12 exploration blocks, of which 8 were acquired in the NELP IV and NELP VI rounds of bidding in consortium with various partners in India. The remaining four blocks are located in the United Kingdom, Australia and Oman.

BPRL has, through its wholly owned subsidiary company, Bharat PetroResources JPDA Limited (BPR-JPDA LTD), a participating interest of 25% in Block-JPDA 06-103-East Timor in the joint petroleum development area between East Timor and Australia.

BPRL has been on the lookout for new opportunities both in India and abroad, to enhance its portfolio of exploration and production assets.

After accounting for miscellaneous income of Rs. 8.46 million, BPRL had incurred a loss of Rs.73.77 million for the year ended 31st March, 2008.

Annual Accounts of the Subsidiary Companies

In view of the dispensation granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Directors' Report and the Auditors' Report of the Subsidiary Companies are not attached to the Balance Sheet of the Company. In compliance with the conditions of the dispensation, the Consolidated Financial Statements have been presented in the Annual Report and the summarized Balance Sheet and Profit and Loss Account of Subsidiary Companies are also enclosed as Annexure F to the Directors' Report for information. The Audited Annual Accounts of the Subsidiary Companies and related detailed information are open for inspection by any member at BPCL's Registered Office. Further, BPCL would make available these documents, on request, to any of its members and the said documents would also be posted on BPCL's website.

JOINT VENTURE COMPANIES

Petronet LNG Limited

Petronet LNG Limited (PLL) was formed in April 1998 for importing LNG and setting up LNG terminals at Dahej and Kochi with facilities like jetty, storage, regasification etc. to supply natural gas to various industries in the country. PLL was promoted by four public sector companies viz. BPCL, IOCL, ONGC & GAIL, who contributed 12.5% each to the equity. The balance equity was raised over a period of time from Gaz de France 10%, the Asian Development Bank 5.2% and balance 34.8% was raised from the public in March 2004. BPCL's equity investment involved an outlay of Rs.987.50 million. As at 31st March, 2008 PLL had a net worth of Rs.16,185.49 million with a book value of Rs.21.58 per share. PLL's equity shares are listed on the Stock Exchanges.

PLL has set up a LNG receipt terminal and regasification facilities of 5 MMPTA capacity at Dahej in Gujarat and started commercial supplies of regasified LNG from the said terminal from 9th April, 2005. To meet the increasing demand of the power and fertilizer sectors, expansion of the Dahej Terminal from 5 MMTPA to 10 MMTPA, which had commenced in the year 2006, is now nearing completion and would be ready for commercial use in the next financial year. Another LNG Receiving and Regasification Terminal of 5 MMTPA will be set up at Kochi, for which activities have been geared up.

Income from operation for the current financial year was Rs.65,553.14 million as compared to Rs.55,006.05 million in 2006-07. The net profit for the year 2007-08 stood at Rs.4,746.53 million as against the level of Rs.3,132.54 million achieved in the last year. PLL has declared a dividend of 15% for the financial year 2007-08 as compared to 12.5% of last year.

Indraprastha Gas Limited

Indraprastha Gas Limited (IGL), a Joint Venture Company with GAIL (India) Limited, was set up in December, 1998 for implementing the project for supply of CNG to the household and automobile sectors in Delhi. BPCL invested Rs.315 million in IGL for a 22.5% stake in the equity. IGL has commissioned over 163 CNG Stations (including 2 in Noida) which supply environment friendly fuel to more than 2,25,000 vehicles. IGL has more than 1,22,000 domestic PNG Customers and over 307 commercial customers in Delhi. The company is also extending its business to the towns of Greater Noida and Ghaziabad.

As at 31st March, 2008, IGL's net worth was Rs. 5,764.60 million with a book value of Rs. 45.76 per share. IGL registered a turnover of Rs. 8,097.98 million for the year 2007-08 as compared to Rs.7,058.66 million in the previous year. Profit after tax for the year 2007-08 was Rs. 1,744.56 million as compared to Rs.1,379.62 million during the previous year. IGL has declared a

dividend of 40% for the year 2007-08 as against 30% in the previous year. The shares of the company are listed on the Stock Exchanges.

Sabarmati Gas Limited

Sabaramati Gas Limited (SGL), a Joint Venture Company promoted by BPCL and Gujarat State Petroleum Corporation Limited (GSPC), was incorporated on 6th June 2006 with an authorized capital of Rs.1000 million, for implementing the City Gas distribution project for supply of CNG to the household and automobile sectors in the city of Gandhinagar, Mehsana and Sabarkantha Districts of Gujarat.

BPCL & GSPC will each subscribe to 25% of the equity capital of the JVC. The balance will be offered to the Financial Institutions. BPCL's present contribution is Rs.407.02 million. SGL has set up 5 CNG stations to meet the CNG requirements of vehicles. SGL's net worth was Rs.828 million as at 31st March, 2008.

For the year ending 31st March, 2008 the Company has achieved a turnover of Rs.973.05 million against a turnover of Rs.198.88 million for the previous year and profit after tax of Rs.47.57 million for the year 2007-08 as against profit after tax of Rs.5.63 million in the previous year. SGL has declared dividend of 10% for the financial year ending 31st March 2008, which was the same as declared for the year ended 31st March 2007.

Central UP Gas Limited

Central UP Gas Limited (CUGL) is a Joint Venture Company set up in March, 2005 with GAIL (India) Limited as the other partner, for implementing the project for supply of CNG to the household, industrial and automobile sectors in the city of Kanpur in Uttar Pradesh.

The joint venture partners have each invested a sum of Rs. 134.75 million in the joint venture, with each partner having an equity stake of 22.5% in the company. Financial Institutions have subscribed to the balance equity of the company. CUGL has completed its financial closure and has commenced operations. CUGL has set up 5 CNG stations in Kanpur and 1 in Bareilly. CUGL is planning to spread its wings to Allahabad and Rae Bareilly and has carried out techno-commercial and market feasibility studies.

For the financial year ending 31st March, 2008, the company has achieved a turnover of Rs. 267.64 million as compared to Rs.72.44 million in the previous year and profit after tax of Rs. 52.91 million as against a loss of Rs.4.28 million in the previous year. The company has recommended a maiden dividend of 2.5% for the year ended 31st March 2008.

Maharashtra Natural Gas Limited

Maharashtra Natural Gas Limited (MNGL) was set up on 13th January, 2006 as a Joint Venture Company with GAIL (India) Limited as the other partner for implementing the project for supply of CNG to the household, industrial and automobile sectors in Pune and its nearby areas. BPCL's investment in this project is Rs.225 million for a 22.5% share of the equity capital. The Company is expected to commence operations during 2008.

Bharat Stars Services Private Limited

Bharat Stars Services Private Limited, a Joint Venture Company promoted by BPCL and ST Airport Pte Limited, Singapore, was incorporated in September, 2007 with an authorized capital of Rs.100 million for providing into plane fuelling services at Bengaluru International Airport.

BPCL & ST Airport Pte Limited have each subscribed to 50% of the equity capital of the new Company. BPCL's present equity contribution is Rs.34 million. The company has commenced operations from May, 2008 onwards with the opening of the Airport for traffic.

Petronet CCK Limited

BPCL has 49% equity in Petronet CCK Limited (PCCKL) at an investment of Rs.490 million. The Company owns the 292 km Kochi-Karur pipeline, which commenced commercial operations from September 2002. As at 31st March 2008, PCCKL had net worth of Rs.560 million with a book value of Rs.5.60 per share. Pumping volume during the current year amounted to 1.35 MMT against 1.21 MMT of the previous year.

PCCKL registered a turnover of Rs.410.37 million and net loss of Rs.25.68 million as against a turnover of Rs.358.80 million and net loss of Rs.65.62 million of the previous year. BPCL has initiated steps, subject to completion of all formalities, to purchase 26% equity share of Petronet India Limited in PCCKL.

Petronet India Limited

BPCL has 16% equity participation with an investment of Rs.160 million in Petronet India Limited, (PIL) a financial holding company. PIL had facilitated pipeline access on a common carrier principle, through its joint ventures for

the pipelines put up by them viz Vadinar-Kandla (Sikka-Kandla section), Kochi-Karur and Mangalore-Hassan-Bangalore. For the financial year 2007-08, PIL registered gross revenue of Rs. 6.85 million as against Rs.10.86 million in the previous year. The company had a net loss of Rs.7.42 million against a net loss of Rs.12.96 million in 2006-07.

The new pipeline policy has affected the working of the Company. As there are no possibilities of future projects, promoters and other investors in PIL reached a conclusion that continuation of PIL would not be viable. Accordingly, the winding up process has been initiated by appointing ICICI Securities Limited as financial advisor and consultant for the divestment of PIL's stake in the joint venture companies.

VI eTrans Private Limited

BPCL had invested a sum of Rs.1 million for a 33.33% share of the equity of VI eTrans Private Limited in 2000-01. The Company is engaged in providing logistic support systems for the Indian surface transport industry and its users, with the help of electronic and physical infrastructure and web-based systems.

BPCL has reached an understanding with the co-promoters to sell its stake in the company and the same is under process.

As per Provisional Accounts, the Company registered a turnover of Rs. 31.24 million for the year ended 31st March 2008 as against a turnover of Rs. 32.77 million in the previous year. The Company ended the year with a loss of Rs. 0.30 million for the current year, as compared to a loss of Rs. 1.52 million in the previous year.

Bharat Renewable Energy Limited

A new Joint Venture Company was incorporated on June 17, 2008 for production, procurement, cultivation, plantation of horticulture crops such as Jathropha, Pongamia, trading, research and development and management of all crops and plantations including Biofuels in the state of Uttar Pradesh, with an authorized capital of Rs.300 million. The company has been promoted by BPCL along with Nandan Biomatrix Limited, Hyderabad and Shapoorji Pallonji Co Limited, with all the partners contributing equally to the capital of the new company.

Matrix Bharat Marine Services Pte Limited

A new Joint Venture Company was incorporated in Singapore on 20th May, 2008 between BPCL & Matrix Marine Fuels, USA an affiliate of the Mabanaft group of companies, Hamburg, Germany to carry out the bunkering business and the supply of marine lubricants in the Singapore markets, as well as international bunkering including expansion in the Asian and Middle East markets. It will also undertake development of international bunkering facilities at Indian ports, risk management including hedging activities, inventory management, quality blending and freight optimisation by utilising the back haulage of time charter vessels for importing petroleum products in India.

The authorised capital of this company will be USD 4 million equivalent to about Rs.200 million with equal contribution by both the partners. Matrix Marine Fuels LP, USA has subsequently transferred their share and interest in the joint venture in favor of Matrix Marine Fuels Pte Limited, Singapore, another affiliate of the Mabanaft group.

Bharat Shell Limited

During the year, BPCL has sold its equity stake of 49% of Bharat Shell Limited (BSL), totalling 98,000,000 shares to Shell Overseas Investment B.V. for a consideration of Rs.1,524 million. The sale was completed after receipt of the approval of the Government of India. With this, BPCL has exited from the joint venture.

CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The details regarding energy conservation, technology absorption and foreign exchange used and earned as required by Section 217(1)(e) of the Companies Act, 1956, are given in Annexure A.

MEMORANDUM OF UNDERSTANDING WITH MINISTRY OF PETROLEUM & NATURAL GAS

BPCL has been signing a Memorandum of Understanding (MOU) with the Ministry of Petroleum & Natural Gas since 1990-1991. The Company has been achieving an "Excellent" performance rating since then. BPCL, for the nineteenth successive year, has entered into a MOU with the Ministry of Petroleum & Natural Gas for the year 2008-09.

BPCL also has the distinction of having won the Prime Minister's MOU Award for 'Excellence in Performance' during the years 1998-99, 2000-01 & 2002-03. Further, for the year 2006-07, BPCL has been shortlisted for the Prime Minister's award for MOU performance in the petroleum sector.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is enclosed as Annexure C.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement and Department of Public Enterprises (DPE) Guidelines on Corporate Governance, the Report on Corporate Governance, together with the Auditors' Certificates on compliance of Corporate Governance, are annexed as Annexure B. The Annual Report also contains a separate section on the 'Management Discussion and Analysis', which is part of the Directors' Report.

The forward looking statements made in the 'Management Discussion and Analysis' are based on certain assumptions and expectations of future events. The Directors cannot guarantee that these assumptions are accurate or these expectations will materialise.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors of BPCL confirm that:

1. In the preparation of the Annual Accounts, all the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures.
2. The Company has selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company as on 31st March 2008 and of the Profit and Loss Account of the Company for the year ended on that date.
3. The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. These Accounts have been prepared on a going concern basis.

DIRECTORS

Shri S.A.Narayan, Director (Human Resources), laid down his office with effect from 9th June 2008. The Directors have placed on record their appreciation of the valuable contributions made and guidance given by him for the development and progress of BPCL's business.

Shri. D. N. Narasimha Raju, Joint Secretary, Ministry of Petroleum & Natural Gas, resigned from the Board with effect from 19th April 2007. Shri V.D.Gupta and Shri P.C.Sen, Directors, resigned from the Board with effect from 19th May 2008. The Directors have placed on record their appreciation of the valuable contributions made and guidance given by them for the development and progress of the Company's Business.

Shri P.H. Kurian, Secretary (Investment Promotion), Government of Kerala, was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 23rd April 2007. He was re-appointed at the Annual General Meeting held on 19th September 2007.

Prof. N. Venkiteswaran was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 16th July 2007. He was re-appointed at the Annual General Meeting held on 19th September 2007.

Smt. Rama Bijapurkar and Prof. S.K.Barua were appointed as Additional Directors under Article 77A of the Articles of Association of the Company with effect from 20th May 2008. As they have been appointed as Additional Directors, they hold office till the ensuing Annual General Meeting. Notices under Section 257 have been received, proposing their names for appointment as 'director retiring by rotation' at the ensuing Annual General Meeting.

Shri S.Mohan, Executive Director (HRD), was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 25th June 2008. Shri S.Mohan also assumed the office of Director (Human Resources) from that date, in pursuance of his

appointment by the President of India. As he has been appointed as Additional Director, he will hold office till the ensuing Annual General Meeting. Notices under Section 257 have been received, proposing his name for appointment as 'director retiring by rotation' at the ensuing Annual General Meeting.

As required under Section 256 of the Companies Act, 1956, Shri P.K.Sinha, Prof. A.H.Kalro and Shri R.K.Singh, Directors, will retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment as Directors at the said Meeting. As required under the Corporate Governance Code, brief bio-datas of the above Directors who are appointed/ re-appointed at the Annual General Meeting are provided in the Corporate Governance Report.

STATUTORY AUDITORS

M/s. B.K.Khare & Co., Chartered Accountants, Mumbai, were appointed as Statutory Auditors for the year 2007-08, by the Comptroller & Auditor General of India (C&AG), under the provisions of Section 619(2) of the Companies Act, 1956. They will hold office till the ensuing Annual General Meeting. The application for the appointment of Statutory Auditors for the financial year 2008-09 has been made to C&AG.

ACKNOWLEDGEMENTS

The Directors convey their appreciation of the services rendered by employees at all levels, without whose valuable contribution, the excellent performance of BPCL would not have been possible.

The Directors place on record their deep appreciation towards BPCL's valued customers for their continued cooperation, patronage and confidence and look forward to the continuance of this mutually supportive relationship in future.

The Directors also gratefully acknowledge the support and guidance received from the various Ministries of the Government of India, particularly from the Ministry of Petroleum & Natural Gas, in BPCL's operations and developmental plans.

The Directors sincerely thank BPCL's dealers, distributors, contractors and suppliers for their contribution to the Company's success.

The Directors express their sincere thanks to each and every shareowner of BPC for their continued support.

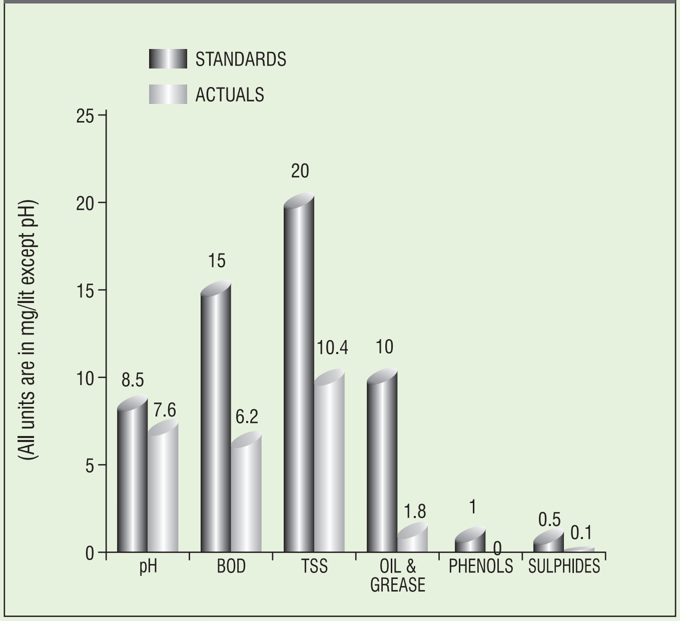
For and on behalf of the Board of Directors

Sd/-

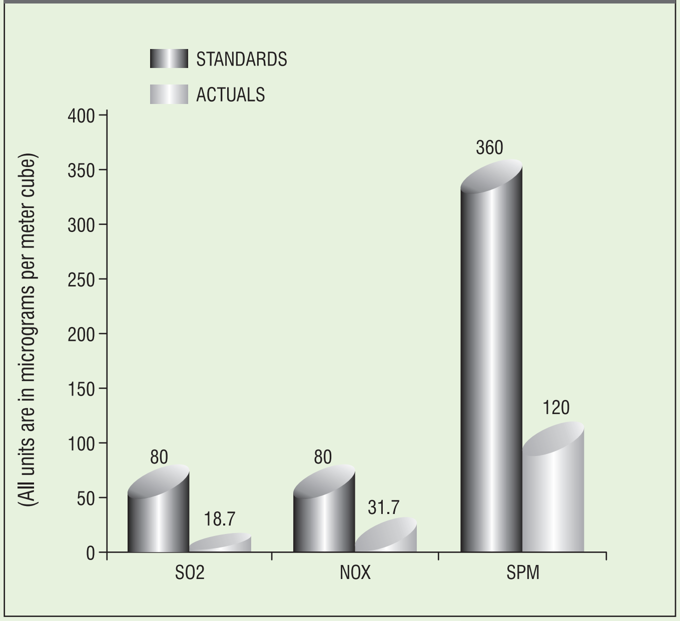
Mumbai **Ashok Sinha**

Date: 14th August, 2008 Chairman & Managing Director

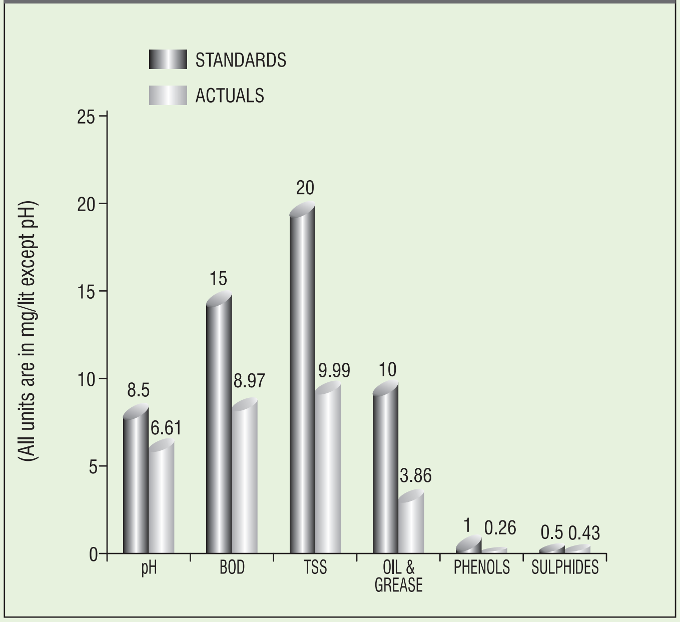
TREATED EFFLUENT WATER QUALITY VIS-A-VIS STATUTORY STANDARDS AT MUMBAI REFINERY



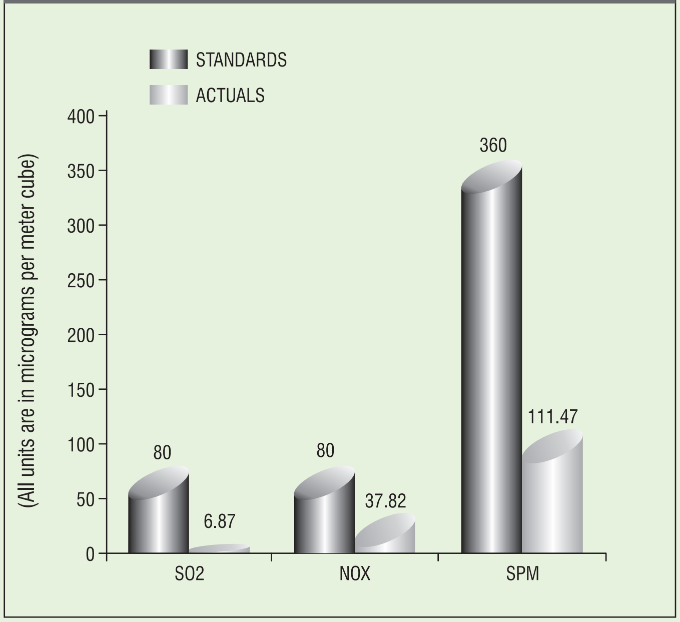
TYPICAL AMBIENT AIR QUALITY VIS-A-VIS STATUTORY STANDARDS AT MUMBAI REFINERY



TREATED EFFLUENT WATER QUALITY VIS-A-VIS STATUTORY STANDARDS AT KOCHI REFINERY



TYPICAL AMBIENT AIR QUALITY VIS-A-VIS STATUTORY STANDARDS AT KOCHI REFINERY



ANNEXURE A

Efforts made by BPC in regard to Conservation of Energy, Technology Absorption, & Foreign Exchange Earnings & Outgo, which are required to be given under Section 217 (1)(e) of the Companies Act,1956, are as under :-

A. CONSERVATION OF ENERGY

(i) Energy conservation measures taken and additional investment/proposals for conservation of energy:

Energy conservation efforts received continuous focus, both in terms of improvement in operations/ maintenance as well as development of new projects. Continuous monitoring of fuel consumption and hydrocarbon loss is undertaken using sophisticated instruments and data acquisition system. The analysis report and data compiled are communicated to the respective sections and necessary actions are initiated in case of any abnormalities. An elaborate energy accounting system and Management Information System are important features of BPC's Refinery operations.

As a part of Oil & Gas Conservation Fortnight 2008, M/s. Centre for High Technology had organised a detailed survey of furnaces and boilers for determining insulation effectiveness and efficiency at both the refineries, along with external experts. In addition, various awareness programmes on Oil Conservation were conducted, both inside & outside the refinery, including free PUC check up for vehicles.

(ii) Additional investments & proposals, if any, being implemented & impact of the measures for reduction of consumption of energy & consequential impact on the cost of production of goods.

Mumbai Refinery

The following energy conservation and loss control measures were adopted during the year 2007-08 which have resulted in significant fuel savings.

- Maximisation of crude throughput in modern highly energy efficient Integrated Crude & Vacuum Unit.
- Antifoulant chemical injection in all Crude & Vacuum units.
- Injection of fire side chemical additive in HVU Heater.
- Regular cleaning of preheat exchangers of process units.
- High emissivity ceramic coating was applied in process tubes and refractory walls of CRU Inter 1 & 2 furnaces resulting in 3% fuel saving.
- Reduction of slops generation by tighter operational control.
- Reduction of Hydrogen loss to flare from Make Up Gas Compressor (MUG) section of Hydrocracker Unit by resetting of set point of control valve.
- RGC seal gas drain pot vent modification from flare to RGC suction in Hydrocracker resulting in reduction of 2 T/D of H_2 to Flare.
- Provision of still well sleeve assembly for 15 MS & Naphtha tanks to reduce evaporation losses.
- Continuous monitoring & control of all parameters of furnaces & boilers.
- Continuous monitoring & control of flare.
- Regular steam insulation & steam leak surveys and repairs.
- Replacement of leaky steam traps & regular attending to steam leaks.

Other energy conservation and loss control initiatives by Mumbai Refinery implemented / under various stages of implementation are given below :

- A comprehensive "Steam Generation and Distribution Study" was carried out by M/s. Tata Consulting Engineers. Phase wise replacement of steam headers insulation has commenced.
- Phased implementation of recommendations of the Slops system study in the refinery conducted by M/s. Engineers India Ltd. to minimize slops generation is under progress.
- A comprehensive survey on "Instrument Air Supply System" was carried out to identify instrument air leaks and the recommendations are being implemented.
- Further efforts to maximize crude throughput of the highly energy efficient CDU/VDU complex, including revamp of the unit is being studied.
- Installation of Step-less control for MUG compressor of Hydrocracker unit is under implementation.
- Feasibility of Flare Gas Recovery System is being evaluated.

Kochi Refinery

The following energy conservation and loss control measures were adopted during the year 2007-08, resulting in significant fuel savings:

- Reduction in condensation in STG by increasing LP steam extraction.
- Optimization of GT/STG operation based on marginal cost advantage.
- Reduction in amine reboiler steam consumption in DHDS - amine regeneration unit by maintaining higher amine concentration.
- Optimization of power consumption in utility boiler drives and auxiliaries.
- Optimization of deaerator systems for boilers.
- Stoppage of UB3 boiler feed water pump turbine UP1B.
- Additional condensate recovery from VR/Plant Fuel tank farm.
- Steam optimization in MAB compressor using advanced control.
- Preheat improvement in DHDS due to LCO processing.
- Reduction in purge gas flaring in hydrogen unit.
- Maximisation of crude circulating refluxes for increasing crude preheat.
- Improved heat recovery in EE11 exchanger (HVGO heater).
- Preheat temperature optimization in FCCU.
- Operation of the recycle gas compressor in LP extraction mode.

The following proposals for energy conservation are in various advanced stages of implementation :

- Replacement of metallic blade air fin fans with FRP blade air fin fans for power reduction.
- Replacement of mineral wool insulation with more efficient perlite insulation.
- Replacement of low efficiency LH1 heater with steam reboiler.
- Provision of LP steam air heater ahead of cast APH in EH1 (Vacuum Heater), CH1A/B (Crude heater) and CH21/22 (Crude Heater), to mitigate the cold end corrosion and reduce the downtime of air preheaters.
- Optimizing the excess air through the implementation of automatic air fuel ratio based combustion control in DDH1 (DHDS Feed Heater), DHH11 (H2 plant Reformer heater), CH1A/B, UB5 and UB7 (Boilers).
- Optimization of auxiliary firing potential and increase of steam load in FCCU waste heat boiler.

  Impact of the measures for reduction of consumption of energy & consequential impact on the cost of production of goods.

  Fuel savings as a result of the energy conservation measures implemented in the refineries during the year 2007-08 correspond to the total savings potential of 30000 SRFT/annum. It is estimated that a further savings of over 10000 SRFT/annum would be achievable on implementation of the identified energy conservation proposals.

(iii) Details regarding total energy consumption and energy consumption per unit of production etc. are given in the prescribed Form A, annexed hereto.

B TECHNOLOGY ABSORPTION

The Refineries implemented the following projects to obtain the benefits of the latest technological developments and advances:

Mumbai Refinery

- In line with the action plan for meeting the auto fuel quality upgrade of part production of Euro IV quality Diesel by April 2010, the DHDS unit catalyst was changed to new generation TK 576 BRIM catalyst supplied by M/s. Haldor Topsoe.
- FCC LPG Merox catalyst was replaced with a new sweetening catalyst jointly developed by BPC R&D and Indian Institute of Petroleum, Dehradun.

Kochi Refinery

- SPM facilities capable of receiving VLCCs (Very Large Crude Carriers), along with allied facilities including shore tank farm were commissioned in December 2007. The technology was provided by M/s. Blue Water Energy Services, Netherlands.
- The facility, based on a technique developed in-house, for treatment of off gases from the vacuum distillation unit by scrubbing with Di Ethyl Amine for removing sulphides was commissioned in November 2007.

- Blend Optimization & Supervisory System software (BOSS - Technology supplied by M/s. Invensys) for MS, HSD and FO products was commissioned in October 2007.

Details regarding the efforts made in technology absorption as per the prescribed Form B are annexed hereto.

C FOREIGN EXCHANGE EARNINGS / OUTGO

(i) Activities related to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans :-

a. Exports

BPCL exported 1804 TMT of refined products during the year as compared to 1714 TMT during the previous year. While Fuel Oil exports almost halved to 472 TMT compared to 908 TMT in 2006-07, Naphtha exports grew by 57% (to 1154 TMT vis-à-vis 735 TMT). The contribution to the foreign exchange earnings increased to USD 1174 million (Rs. 47,276.22 million) from USD 731 million (Rs. 33,357.70 million) achieved during the previous year.

On the shipping front, BPCL continued its prime focus of providing logistic support for imports, exports and coastal movements of products at least cost. During the year, BPCL commenced independent chartering of tankers for shipment of imported crude oil and exports.

BPCL also commissioned its SPM (Single Point Mooring) at Kochi and the first VLCC was discharged at Kochi Refinery during January 2008.

b. Imports

During the year, out of a total of 20.95 MMT (19.78 MMT during 2006-07) of crude oil processed at BPCL's Mumbai and Kochi refineries, 13.90 MMT crude oil volume was from imported sources as against 13.47 MMT during 2006-07. In view of the sustained high crude oil prices, the value of imports was a record high of USD 8448.95 million (Rs. 338,271 million) as against USD 6044.16 million (Rs. 273,031 million) during 2006-07. The ratio of 'Term to Spot' purchase of imported crude was 79:21, implying security of volume tie up.

During the year, BPCL imported 96.90 TMT of Gas Oil & 202 TMT of Kerosene to meet the shortfall in supply from domestic sources. Also, to meet the deficit in the country, BPCL imported 172 TMT of LPG (163 TMT in 2006-07).

c. Hedging

Considering the high volatility in crude and product prices, hedging of refinery margins continued to be an area of focus. During the course of the year, hedging volumes for refinery margins have been progressively increased and have crossed 12.6 million barrels as against 5.55 million barrels in 2006-07. Further, to improve the response time for decision on finalizing deals, an e-tender platform was developed and implemented. Trading Cum Clearing Membership of NCDEX was obtained and trading in Furnace Oil Futures in NCDEX was started during the year.

ii) The details of foreign exchange earnings & outgo are given below :-

(Rs. in Million)

	2007-08	2006-07
Earnings in Foreign Exchange	**74,401.64**	55,851.32
— includes receipt of Rs. 15,270.27 million (previous year Rs. 6,460.48 million) in Indian currency out of the repatriable funds of foreign airline customers and Rs. 97.52 million (previous year Rs. 63.59 million) of INR exports to Nepal and Bhutan.		
— Includes Rs.7,042.66 million (previous year Rs. 8,129.63 million) on CFR basis.		
Foreign Exchange Outgo	**345,607.48**	293,219.03
— on account of purchase of Raw Materials, Capital Goods, Chemicals, Catalysts, Spare Parts, International Trading Activities.		

FORM A

Form for disclosure of particulars with respect to conservation of energy

	2007 - 08	2006 - 07
1. MUMBAI REFINERY		
A. Power & Fuel Consumption		
1. Electricity		
a) Purchased		
Units (Million KWH)	**39.80**	28.93
Total Amount (Rs.Million)@	**273.66**	231.41
Rate/Unit (Rs./KWH)*	**6.88**	8.00
b) Own Generation		
Through Steam Turbine/ Generator		
Units (Million KWH)	**520.62**	516.07
Units (KWH) per Ton of Fuel	**3,059.51**	2,982.43
Cost/Unit (Rs./KWH)**	**5.70**	5.11
2. Coal	**Nil**	Nil
3. Furnace Oil/Liquid Fuel		
LSHS Qty - MT	**266,856**	238,415
Total amount (Rs. Million)	**4,798.46**	3,615.10
Avg. Rate (Rs./Unit)	**17,981.44**	15,163.05
IBP-60 Qty - MT	**42,141**	43,148
Total amount (Rs. Million)	**1,286.14**	1,071.71
Avg. Rate (Rs./Unit)	**30,520.00**	24,838.11
4. Others / Internal Generation		
Bombay High Associated Gas (BHAG) Qty - (MT)	**111**	716
Total amount (Rs. Million)	**1.16**	8.33
Avg. Rate (Rs./Unit)	**10,468.27**	11,635.23
Internal Fuel :		
Refinery Gas Qty - (MT)	**128,732**	129,079
Total amount (Rs. Million)	**2,314.79**	1,957.23
Avg. Rate (Rs./Unit)	**17,981.44**	15,163.05
PSA Off Gas Qty - (MT)	**116,203**	104,274
Total amount (Rs. Million)	**368.61**	278.93
Avg. Rate (Rs./Unit)	**3,172.12**	2,674.93
FCC Units Coke Qty - MT	**88,514**	75,917
Total amount (Rs. Million)	**1,591.61**	1,151.13
Avg. Rate (Rs./Unit)	**17,981.44**	15,163.05

Notes:

@ Increase in power purchased cost is mainly due to planned shutdown of GT1, GT2 & GT3 & higher power import due to increase in electrical load due to operation of RMP Units

* Cost per unit of Power Purchased has decreased due to higher purchase of power from M/s. TATA Power.

** Cost per unit of power generated in CPP has increased due to increase in fuel cost & depreciation.

B. Energy consumption per unit of production

	Unit Stds. if any #	2007 - 08	2006 - 07
Production of Petroleum products	MT	**11,883,604**	11,234,137
Electricity	KWH / MT	**47.16**	48.51
LSHS / IBP-60	Kg/MT	**26.00**	25.06
Gas (Excluding CPP)	Kg/MT	**20.62**	20.84
FCC Units Coke	Kg/MT	**7.45**	6.76

No fixed consumption parameter can be attributed to a particular product as the product pattern of the Refinery is governed by supply / demand scenario of products and Govt. directives. It is also a function of quantity / type of crude processed, planned shutdown of processing units for maintenance / inspection and severity of operations of processing units, which varies widely.

2. KOCHI REFINERY

	2007-08	2006-07
A. Power and Fuel Consumption :		
1) Electricity		
a) Purchased :		
Units (Million KWH)	**39.134**	38.773
Total amount (Rs.Million)	**183.98**	181.61
Rate/Unit (Rs./KWH)	**4.70**	4.68
b) Own Generation		
i) Through Gas Turbine generation in CPP (Million KWH)	**148.368**	139.773
Units (KWH) per kg of fuel oil/gas	**2.87**	2.76
Cost/Unit (Rs./KWH)	**6.04**	5.91
ii) Through Steam Turbine Generation (Million KWH)	**78.261**	87.826
Cost/Unit (Rs./KWH)	**5.84**	5.47
2) FCC coke for steam generation :		
Quantity (tonnes)	**71,974**	68,835
Total Cost (Rs.Million)	**1,188.35**	1,054.33
Average rate (Rs./MT)	**16,511**	15,317
3) LSHS :		
Quantity (tonnes)	**233,436**	260,076
Total Cost (Rs.Million)	**3,854.22**	3,983.52
Average rate (Rs./MT)	**16,511**	15,317
4) DHDS Naphtha :		
Quantity (tonnes)	**42,090**	35,957
Total Cost (Rs.Million)	**1,058.20**	835.97
Average rate (Rs./MT)	**25,141**	23,249
5) Others (Refinery Fuel Gas) : (Excluding fuel used for Power Generation)		
Quantity (tonnes)	**94,805**	80,063
Total Cost (Rs.Million)	**1,565.31**	1,226.31
Average rate (Rs./MT)	**16,511**	15,317

B. Energy consumption per unit of production

	Unit	Stds. if any *	2007 - 08	2006 - 07
Production of Petroleum products	MT		**7,686,634**	7,238,153
Electricity	KWH / MT		**33.69**	35.97
FCC Units Coke	Kg/MT		**9.36**	9.51
LSHS	Kg/MT		**30.37**	35.93
DHDS Naphtha and Refinery fuel gas	Kg/MT		**17.81**	16.03

Notes:

1. Fuel for CPP consisted of Intermediates and Refinery Fuel Gas
2. The purchased power is net of export to KSEB
3. Cost of FCC coke, LSHS, Intermediates, Refinery Fuel Gas etc.are at average cost

* No fixed consumption parameter can be attributed to a particular product as the product pattern of the Refinery is governed by supply / demand scenario of products and Govt. directives. It is also a function of quantity / type of crude processed, planned shutdown of processing units for maintenance / inspection and severity of operations of processing units, which varies widely.

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

1. **Specific areas in which R&D has been carried out by the Company :**

   i) Catalytic Processes

   ii) Development of Catalysts and Catalyst additives

   iii) Technology for Clean Fuels

   iv) Detailed Crude Evaluations and Crude compatibility studies

   v) Value added products

   vi) Modelling and Simulation of refinery processes

   vii) Corrosion and fouling

   viii) Advanced Tech support to Refinery & Marketing Operations

   ix) Alternate fuels

   x) Passenger Car Engine Oil for major OEM

   xi) Synthetic Gear Oils

   xii) Customer specific Metal Working Fluid

   xiii) High Performance Greases

   xiv) Defence specific grades

   xv) Alternate formulation for existing grades

2. **Benefits derived as a result of the above R&D**

   i) Optimum catalyst/additives for Fluid Catalytic Cracking Units (FCCU) through laboratory and pilot plant studies, resulting in improved yields/quality of distillates.

   ii) Commercial Sweetening Catalyst for LPG jointly developed by BPCL and Indian Institute of Petroleum, Dehradun. This catalyst produced based on the above technology is in use at Mumbai Refinery.

   iii) Cost effective CO promoter catalyst additive for FCC units developed and being used in Mumbai Refinery.

   iv) Process for adsorptive desulphurization of fuels for special applications such as fuel cells, using in house developed sulfur selective adsorbent.

   v) Detailed crude evaluations aided in enhancing value realization and enlarging crude basket. Crude blend compatibility studies helped in processing opportunity crude.

   vi) Additive for the production of Bharat Metal Cutting Gas (BMCG) for cutting gas applications developed and commercialized, resulting in substantial savings.

   vii) Implementation of selected antifoulant with optimal dosage for CDU exchangers resulted in improved heat recovery.

viii) Advanced Tech support to Refinery and Marketing operations for resolving technical problems/effecting improvements, such as, (a) optimized the pump-around flow rates in the crude column of HCP for increase in net energy savings (b) commissioning of the Biturox unit at Kochi refinery for the production of various grades of improved quality bitumen (c) development of cost effective additives for improving the fuel quality (d) Tech support for producing modified bitumen products, viz., CRMB and PMB (e) production of natural rubber modified bitumen & bitumen emulsion in Kochi Refinery and (f) alternate bitumen packaging by polymer film at Mumbai Refinery.

ix) A process developed for conversion of non-edible oils with high free fatty acid (FFA) content to biodiesel.

x) New grade of Passenger Car Engine Oil developed would help in increasing our market share in this segment, besides providing a viable alternative to the customer

xi) Fully Synthetic Gear Oil 75W-90 developed. This grade helps in extending the oil life.

xii) OE Specific Metal Working Fluid for heat treatment application would provide benefits in terms of cost & performance to customers.

xiii) High Performance Grease has been developed for Steel Plant & would provide a viable alternative to the customer.

xiv) The Defence grades developed would provide indigenous alternatives to Defence.

xv) Developed alternate formulations for 7 existing grades. These formulations would help in reducing the input cost besides providing flexibility in operation.

3. Future Plan of Action

i) Intensifying and enlargement of activities in the area of Refinery processes and residue upgradation.

ii) Development of catalyst/additive for refining processes

iii) Development of new process technologies using additive approach for improving the product quality

iv) Enlargement of crude basket and identification of opportunity crudes and crude blends

v) Value added Products/Solvents from the refinery streams

vi) Bio-technological processes

vii) Coal to Residue Technologies

viii) Alternate Fuels & Energy Devices

ix) Developing the following grades/products:

a) Long life Diesel Engine Oil for heavy commercial vehicles

b) Passenger Car Engine Oil for the latest models

c) Biodegradable Cutting Oil

d) High Performance Grease

e) Defence specific grades

f) Alternate formulation for existing grades

4. Expenditure on R&D during 2007-08

(Rs. In Million)

	Total
Capital Expenditure	93.1
Revenue / Recurring Expenditure	163.3
Total	256.4
Total R&D Expenditure as a % of total turnover	Negligible

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

A. MUMBAI REFINERY

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

Mumbai Refinery has undertaken the following projects to obtain the benefits of the latest technological developments and advances:

i) In line with an action plan for meeting the auto fuel quality upgrade of part production of Euro IV quality Diesel by April 2010, the DHDS unit catalyst was changed to the latest generation TK 576 BRIM catalyst supplied by M/s. Haldor Topsoe.

ii) FCC LPG Merox catalyst was replaced with a new sweetening catalyst jointly developed by BPC R&D and Indian Institute of Petroleum, Dehradun.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

i) Time required for catalyst regeneration was saved resulting in faster start-up of the unit. Will reduce total unit down time required for revamp jobs scheduled next year.

ii) This has enabled import substitution.

3. Information regarding technology imported during last five years reckoned from the beginning of the financial year

(a) Technology imported:

Technology	Year of import
• Fixed Bed Platforming process from M/s. UOP, USA for production of high octane Motor Spirit blend stock and for increasing capacity.	2003
• Isodewaxing / Hydrofinishing technology from M/s. Chevron Lummus Global for production of Group-II Lube Oil Base Stocks.	2003
• DHDS Reactor catalyst change to new generation HDS catalyst TK 576 BRIM supplied by M/s. Haldor Topsoe, Denmark in December 2007 as a part of the unit revamp for producing Euro IV Diesel.	2007
• Naphtha HDS catalyst was the latest Catalyst from M/s. Haldor Topsoe.	2007

(b) Has Technology been fully absorbed?

Yes.

(c) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action:

Not applicable.

B. **KOCHI REFINERY**

1. **Efforts, in brief, made towards technology absorption, adaptation and innovation**

Kochi Refinery has implemented the following projects to obtain the benefits of the latest technological developments and advances :

a. **Single Point Mooring (SPM):**

SPM facilities capable of receiving VLCCs, along with allied facilities including shore tank farm were commissioned in December 2007. The technology was provided by M/s. Blue Water Energy Services, Netherlands.

b. **Treatment of Vacuum Unit hot well off gases :**

Facilities for treatment of off gases from the vacuum distillation unit by scrubbing these gases with Di Ethyl Amine for removing sulphides, which is based on an in-house developed technique, was commissioned in November 2007.

c. **Blend optimization of HSD &MS:**

Blend Optimization & Supervisory System software (BOSS - Technology supplied by M/s. Invensys) for MS and HSD, was commissioned in October 2007.

2. **Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.**

a. **Single Point Mooring (SPM):**

With the commissioning of SPM and related facilities, larger crude oil tankers like VLCC & Suez Max are being received at Kochi. This has resulted in cost savings due to reduction in freight rates and port wharfage .

b. **Treatment of Vacuum Unit hot well off gases :**

This project resulted in reduction in operating costs due to improvement in heater efficiency and increased equipment life due to corrosion prevention. In addition to the above, it also considerably reduced heater SO2 emissions.

c. **Blend optimization of HSD & MS**

This project resulted in improving the refinery product pattern by minimizing product quality giveaway.

3. **Information regarding technology imported during last five years reckoned from the beginning of the financial year :**

(a) **Technology Imported:**

Technology	Year of import
• FCC – Feed Injection Technology, Riser termination Device, Packed Stripper from M/s. Stone & Webster for yield improvement.	2003
• Process technology for blocked out mode operation of VGO and Diesel in DHDS from M/s. Axens, France.	2003
• Process technology for sweetening (MEROX) of catalytically cracked gasoline from M/s. UOP, USA.	2004
• Colloidal Mill technology for production of Bitumen Emulsion from M/s. ENH Engineering, Denmark.	2004
• DHDS Reactor catalyst change to new generation HDS catalyst supplied by M/s. Axens, France in December 2006 to produce Low Sulphur Diesel for meeting the Euro III Diesel demand.	2006
• SPM system capable of receiving VLCCs by M/s. Blue Water Energy Services, Netherlands.	2007

(b) **Has Technology been fully absorbed?**

Yes.

(c) **If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action:**

Not applicable.

ANNEXURE B

Report on Corporate Governance

1. **Company's philosophy on Code of Governance**

   Bharat Petroleum Corporation Ltd.'s corporate philosophy on Corporate Governance has been to ensure fairness to the Stakeholders through transparency, full disclosures, empowerment of employees and collective decision making.

2. **Board of Directors**

   As per the Articles of Association of the Company, the number of Directors shall not be less than three and more than sixteen.

   As on 31st March 2008, the BPCL Board comprised 5 Whole-time(Executive) Directors including Chairman & Managing Director, 2 Part-time (Ex-Officio) Directors and 4 Part-time (Independent) Directors. For nomination of additional 3 Part-time (Independent) Directors, required under the revised Clause 49 of the Listing Agreement, and DPE Guidelines on Corporate Governance, the Company has taken up the matter with the Govt. of India.

   During the year, all meetings of the Board and the Annual General Meeting were chaired by the Chairman & Managing Director.

   None of the Non-Executive Directors of BPCL had any pecuniary relationship / transaction with the Company during the year.

   The Directors neither held membership of more than 10 Board Committees nor Chairmanships of more than 5 Committees (as specified in Clause 49 of the Listing Agreement, and DPE guidelines on Corporate Governance) across all the companies in which they were Directors.

   The required information as indicated in Annexure IA to Clause 49 of the Listing Agreement, and DPE Guidelines on Corporate Governance was made available to the Board of Directors.

   Details regarding the Board Meetings: Annual General Meeting ; Directors' attendance thereat, Directorships and Committee positions held by the Directors are as under:-

   Board Meetings

   Eight Board Meetings were held during the financial year on the following dates:-

7th May 2007	24th May 2007	29th June 2007	27th July 2007
19th Sep 2007	31st Oct 2007	29th Nov 2007	31st Jan 2008

   The Board has reviewed the compliance of all laws applicable to the Company.

   The Board has adopted the Code of Conduct for the Directors and also for the Senior Management of the Company and the same has been posted on the website of the Company. The Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct in respect of the financial year ended 31st March 2008.

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2007-08

Names of the Directors	Academic Qualifications	Attendance out of 8 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorships held in other Public Limited Companies (as on 31st March 2008)	Memberships held in Committees as specified under Clause 49 of the Listing Agreement (as on 31st March 2008)
Whole-time Directors		**No.of Meetings Attended**	**%**			
Shri A. Sinha Chairman & Managing Director	B.Tech. (Elect.) M.B.A.	8	100	Attended	Chairman 1. NRL 2. BORL Director 3. PLL 4. BPRL	Member a) Audit Committee : PLL b) Remuneration Committee : PLL
Shri S.A. Narayan Director(Human Resources)*	B.Sc. (Hons) M.A. (Pers), L.L.B.	6	75	Attended	Chairman 1. PIL 2. PCCKL	Member a) Remuneration Committee : PIL
Shri S. Radhakrishnan Director (Marketing)	B.Tech. (Mech). M.B.A.	7	88	Attended	Director 1. NRL 2. SGL 3. IGL 4. BSSPL	Member a) Remuneration Committee : SGL b) Audit Committee : IGL
Shri S. K. Joshi Director (Finance)	A.C.A., M.B.A.	8	100	Attended	Director 1. NRL 2. VEL 3. BPRL 4. BPR JPDA 5. BORL 6. BSSPL	Member a) Investors' Grievance Committee : 1) BPCL 2) BORL
Shri R. K. Singh Director (Refineries)	B.Tech. (Mech)	7	88	Attended	Director 1. NRL 2. BORL 3. BPRL 4. POC	Member a) Remuneration Committee : NRL

NRL : Numaligarh Refinery Ltd., BORL : Bharat Oman Refineries Ltd., BSL : Bharat Shell Ltd., PIL : Petronet India Ltd., PLL: Petronet LNG Ltd., IGL : Indraprastha Gas Ltd., BPRL : Bharat PetroResources Ltd., SGL : Sabarmati Gas Ltd., BSSPL : Bharat Stars Services Pvt Ltd., PCCKL : Petronet CCK Ltd., VEL : VI eTrans Pvt Ltd., BPR JPDA : Bharat PetroResources JPDA Ltd., POC: Premier Oil Cachar BV.

* (laid down office of Director effective 9th June, 08.)

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2007-08

Names of the Directors	Academic Qualifications	Attendance out of 8 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorships held in other Public Limited Companies (as on 31st March 2008)	Memberships held in Committees as specified under Clause 49 of the Listing Agreement (as on 31st March 2008)
Non-Executive Directors (a) Part-time (Ex-Officio)		**No.of Meetings Attended**	**%**			
Shri P. K. Sinha Addl. Secretary & Financial Advisor, Ministry of Petroleum & Natural Gas	I.A.S. Postgraduate in Economics, M. Phil., M. P. A.	7	88	Did not Attend	Director 1. IOC 2. HPC	Member a) Establishment Committee : IOC b) Remuneration Committee : IOC
Shri D. N. Narasimha Raju, Joint Secretary, Ministry of Petroleum & Natural Gas (Upto 19.4.07)	M.Sc. (Hort), UAS, Bangalore, Master of Business Laws, NISUI, Bangalore	N A	N A	N.A.	Director 1. GAIL	
Shri P. H. Kurian Secretary, (Investment Promotion), Govt. of Kerala	I.A.S. Postgraduate in Chemistry	6	75	Did not attend	Chairman 1. KCPL 2. TCCL 3. TTPL 4. KEAEC Director 5. KMML 6. KSIDC 7. GFS	Member a) Audit Committee 1. KCPL 2. TCCL

IOC : Indian Oil Corporation Ltd., HPC : Hindustan Petroleum Corporation Ltd., GAIL : GAIL (India) Ltd., KCPL :Kerala Chemicals & Proteins Ltd., TCCL : Travancore Cochin Chemicals Ltd., TTPL: Travancore Titanium Products Ltd., KMML : Kerala Minerals & Metals Ltd., KEACE : Kerala Electrical & Allied Engineering Co. Ltd., KSIDC : Kerala State Industrial Development Corporation Ltd., GFS : Geojit Financial Services Ltd.,

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2007-08

Names of the Directors	Academic Qualifications	Attendance out of 8 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorships held in other Public Limited Companies (as on 31st March 2008)	Memberships held in Committees as specified under Clause 49 of the Listing Agreement (as on 31st March 2008)
Non-Executive Directors b) Part-time (Independent)		**No.of Meetings Attended**	**%**			
Shri V. D. Gupta**	B.Sc. Engg., (Hons)	8	100	Attended		Member a) Audit Committee : BPCL
Shri P. C. Sen**	B.A.(History) (Hons), M.A. (History), M.Sc. (Eco), IAS	7	88	Attended	Director 1. HCL	Member a) Audit Committee : BPCL
Prof. A. H. Kalro	B.Tech. (Hons), (Elect), M.S., Ph.D (Industrial Engg),	8	100	Attended	Director 1. BORL	Chairman a) Audit Committee 1) BPCL 2) BORL b) Investors' Grievance Committee 1) BPCL Member a) Remuneration Committee 1) BORL
Prof. N. Venkiteswaran	C.A., B.A.Economics	5*	100*	Attended	Director 1. GSEC 2. GSPL 3. DCAIL 4. ACIIL 5. VEL	Member a) Audit Committee 1) BPCL 2) GSEC 3) GSPL b) Remuneration Committee - VEL c) Personnel Committee - GSEC

* percentage computed by considering the meetings attended with the total meetings held during his tenure

GSEC : Gujarat State Electricity Corporation Ltd., BORL : Bharat Oman Refineries Ltd., GSPL : Gujarat State Petronet Ltd., VEL : Virgo Engineers Ltd., ACIIL : Asit C Mehta Investment Intermediates Ltd., DCAIL : Dalton Capital Advisors India P. Ltd., HCL : HCL Technologies Ltd.,

(**Ceased to be Director effective 20th May 08)

3. Audit Committee

BPCL took the initiative to introduce Corporate Governance in the organisation during the year 1996 itself, by constituting the Audit Compliance Committee. The said Committee was reconstituted and renamed as the Audit Committee in the year 2000 and the role, powers and functions of the Audit Committee were specified and approved by the Board.

As on 31st March 2008, the Audit Committee comprised all four Part-time (Independent) Directors. The quorum for the meetings of the Committee is two members. Prof. A.H. Kalro is the Chairman of the Committee and Shri V. D. Gupta, Shri P. C. Sen and Prof. N. Venkiteswaran Members of the Committee. Prof. A.H.Kalro and Prof. N. Venkiteswaran possess the requisite knowledge of Finance & Accounting for effective functioning of the Audit Committee. Shri V. D. Gupta and Shri P. C. Sen ceased to be members of the Audit Committee on their resignation from the Board w.e.f. 19th May 2008. Prof. S.K.Barua, Director who was appointed as Director w.e.f. 20th May 2008 was inducted as a member of the Audit Committee. Presently, the Audit Committee comprises three Part-time (Independent) Directors. The Company Secretary acts as the Secretary of the Audit Committee.

Director (Finance) is a permanent invitee at the meetings of the Committee. Executive Director (Audit) is actively involved with the meetings of the Audit Committee and also attends and participates at the said meetings. In addition, the other Whole-time Directors also attend the meetings. The Statutory Auditors and Cost Auditors also attend and participate at the meetings, on invitation.

The terms of reference of the Audit Committee cover all matters specified in Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The role and responsibilities of the Committee include the following :-

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by them.
4. Reviewing, with the Management, the financial statements before submission to the Board for approval, with particular reference to:
    a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
    b) Changes, if any, in accounting policies and practices and reasons for the same.
    c) Major accounting entries involving estimates based on the exercise of judgement by Management.
    d) Significant adjustments made in the financial statements arising out of audit findings.
    e) Compliance with listing and other legal requirements relating to financial statements.
    f) Disclosure of any related party transactions.
    g) Qualifications in the draft audit report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the Management, performance of the Statutory and Internal Auditors and adequacy of the internal control systems.
7. Reviewing the adequacy of the Internal Audit function, if any, including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussing with the Internal Auditors any significant findings and follow up thereon.

9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

10. Discussing with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

11. Looking into the reasons for substantial defaults in the payment to the Depositors, Debenture Holders, Shareholders (in case of non-payment of declared dividends) and Creditors.

12. Defining the significant related party transactions.

13. Carrying out any other function as mentioned in the DPE Guidelines and 'Terms of reference' of the Audit Committee.

Twelve meetings of the Audit Committee were held during the financial year on the following dates:-

24th Apr. 2007	24th May 2007	4th June 2007	27th July 2007
17th Aug 2007	10th Sep 2007	19th Sep 2007	31st Oct 2007
17th Dec 2007	18th Jan.2008	31st Jan 2008	13th Mar 2008

Attendance at the Audit Committee Meetings :

Names of the members	No. of meetings attended	%	Attendance at the Last Annual General Meeting
Prof. A.H.Kalro, Chairman	12	100	Attended
Shri V.D.Gupta, Member	12	100	Attended
Shri P.C.Sen, Member	12	100	Attended
Prof.N. Venkiteswaran, Member	7*	88	Attended

* percentage computed by considering the meetings attended with the total meetings held during his tenure

The Committee, at its meetings held on 27th July 2007, 31st October 2007, and 31st January 2008 reviewed the Quarterly / Half Yearly Financial Statements as on 30th June 2007, 30th September 2007 and 31st December 2007 respectively. Further, the Annual Financial Statements as on 31st March 2008 were reviewed by the Committee at its meeting held on 17th June 2008, before the same were submitted to the Board for approval.

BPCL has presently three unlisted subsidiary companies i.e. Numaligarh Refinery Ltd.(NRL), Bharat PetroResources Ltd.(BPRL) and Bharat PetroResources JPDA Ltd.(BPR JPDA), a wholly owned subsidiary of BPRL, and these Subsidiary Companies do not fall under the category of 'material non listed Indian subsidiary' as indicated in Clause 49 III of the Listing Agreement and DPE Guidelines on Corporate Governance. The Financial Statements of the Subsidiary Companies including investments made, if any, are reviewed by the Audit Committee/Board. The performance of the Subsidiary Companies and the minutes of their Board meetings are discussed at the Board meetings of the Company. Any significant transactions or arrangement entered into by the Subsidiary Companies are also reported to the Board of Directors of the Company. BPRL and BPRL JPDA Ltd. were formed in October 2006. Approval has been received from Ministry of Corporate Affairs for extension of the accounting years of these new companies from the date of their incorporation to 31st March, 2008.

4. Remuneration to Directors

BPCL being a Government Company, appointment and remuneration of Whole-time Directors are determined by the Government through the Ministry of Petroleum & Natural Gas. The Part-time (Ex-officio) Directors do not receive any remuneration from the Company. The Part-time (Independent) Directors received sitting fees of Rs.10,000 for each Board/Committee meeting attended by them during the year 2007-08.

Details of remuneration paid to the Whole-time Directors during the financial year 2007-08 are as follows :-

Names of Directors	All elements of remuneration packages of the Directors. i.e. salary, benefits, bonus, pension etc. Rs.	Details of fixed component and performance linked incentives Rs.	Other Benefits Rs.
Shri Ashok Sinha Chairman & Managing Director	Rs. 2,009,038	Fixed Component Rs. 955,668 PLIS Rs.442,111	Rs. 611,259
Shri S.A.Narayan Director (Human Resources) *	Rs. 2,609,988	Fixed Component Rs. 936,341 PLIS Rs. 417,131	Rs. 1,256,516
Shri S. Radhakrishnan Director (Marketing)	Rs. 1,728,212	Fixed Component Rs. 952,892 PLIS Rs. 420,582	Rs. 354,738
Shri S.K.Joshi Director (Finance)	Rs. 1,775,378	Fixed Component Rs. 822,079 PLIS Rs. 401,680	Rs. 551,619
Shri R.K.Singh Director (Refineries)	Rs. 2,247,152	Fixed Component Rs. 822,079 PLIS Rs. 401,680	Rs. 1,023,393

* laid down the office of Director (Human Resources) with effect from 9th June 2008.

PLIS : Performance Linked Incentive Scheme
Service Contracts : Five years which is renewable for further similar periods.
Notice period : Three months

BPCL has not introduced any Stock Options Scheme. None of the Non-Executive Directors hold any share in BPCL.

During the year, the Part-time (Independent) Directors received sitting fees for attending the meetings of the Board / Committees as follows:-

Name of Director	Remuneration (Rs.)
Shri V.D.Gupta	2,00,000
Shri P.C.Sen	2,20,000
Prof. A.H.Kalro	3,00,000
Prof N.Venkiteswaran	1,20,000

5. Investors' Grievance Committee

The Committee, comprising Prof. A.H.Kalro, Director, and Shri S K Joshi, Director (Finance), monitors the Shareholders'/Investors' complaints and redressal of their grievances. The Committee, at its meeting held on 13th March 2008, reviewed the services rendered to the Shareholders/Investors including response to complaints/ communications and expressed its satisfaction on the performance of the Investor Relations Department of the Company.

The Company Secretary acts as the Compliance Officer for matters related to investor relations.

During the year, eight complaints were received from investors through SEBI, BSE, Registrar of Companies, which were attended to and resolved on priority basis.

All valid share transfer requests received during the year were duly processed and approved within the stipulated period of 30 days. There was no share transfer request in physical form pending as on 31st March 2008.

6. Annual / Extraordinary General Meetings during the last three years

	Date and Time of the Meeting	Venue
52nd Annual General Meeting	23rd September 2005 at 10.30 a.m.	Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021
Extraordinary General Meeting	16th January 2006 at 3.00 p.m	Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400020.
Extraordinary General Meeting	27th February 2006 at 11.00 a.m.	Convention Hall, 4th Floor, Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021
53rd Annual General Meeting	18th December 2006 at 10.30 a.m.	Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021
54th Annual General Meeting	19th September 2007 at 10.30 a.m.	Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021

During the year 2007-08, there was no occasion to resort to Postal Ballot as no business requiring Postal Ballot was proposed for consideration of the Shareholders. However, in July 08, a proposal for amendment to the Memorandum of Association and commencement of New Business was submitted for consideration of the Shareholders by way of Postal Ballot vide notice dated 7th July 2008.

The Special Resolution for Delisting of Equity Shares of BPCL from the Stock Exchange at Delhi, Chennai and Kolkata was approved by the Shareholders at the Annual General Meeting held on 23rd September 2005.

The Shareholders, at the Extraordinary General Meeting held on 16th January 2006, approved the Scheme of Amalgamation of Kochi Refineries Ltd. with BPCL by an overwhelming majority.

Further, Special Resolutions for amendment to the Articles of Association for increasing the number of Directors and for increase in the Borrowing Powers of the Company were approved by the Shareholders at an Extraordinary General Meeting held on 27th February 2006.

The Special Resolution for fixation of the remuneration of the Statutory Auditors was approved by the Shareholders at the Annual General Meeting held on 18th December 2006.

6A Brief Resumes of Directors seeking appointment / re-appointment

1. Shri P. K. Sinha

   Shri P. K. Sinha, Additional Secretary and Financial Advisor, Ministry of Petroleum & Natural Gas, is a senior IAS officer belonging to the 1977 batch of U P Cadre. He is a postgraduate in Economics from Delhi School of Economics and M. Phil in Social Sciences and has a Masters Diploma in Public Administration. In addition to BPC, he holds the Directorship in Indian Oil Corporation Ltd and Hindustan Petroleum Corporation Ltd.

   Shri P. K. Sinha was appointed as Additional Director w.e.f. 21st February 2006, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company. He was further appointed at the AGM held on 18th December, 2006. He is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

2. Prof. A.H.Kalro

   Prof. A.H.Kalro is a B.Tech (Hons) in Electrical Engineering from I.I.T. Kharagpur and MS and Ph.D in Industrial Engineering from the University of Minnesota, Minneapolis, USA and is a recipient of several scholastic awards. He was Asst. Professor at the University of Minnesota and joined IIM, Ahmedabad in August 1970. He has co-authored three books and has extensive consulting experience with public and private sector organisations. Presently, he is a Director of AES Post Graduate Institute of Business Management. He is also Director of Bharat Oman Refineries Ltd.

   Prof. A.H.Kalro was appointed as Additional Director w.e.f. 5th September, 2003, by the Board of Directors. He was further appointed at the AGM held on 30th August, 2004. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

3 Shri R.K.Singh

Shri R.K.Singh, Director (Refineries) is a Mechanical Engineer and has held various assignments, both in Refinery and Marketing divisions. He has attended a Management Development Programme at IIM, Ahmedabad, Materials Management Programme at ASCI, Hyderabad and Logistics Management Course at University of Tennessee in U.S.A. He has also headed a group constituted for transfer of technology of LPG equipment from Denmark / Italy and was closely associated with the World LPG Association as an active member of their subcommittees. In addition to BPC, he also holds the position of Director in Numaligarh Refinery Ltd., Bharat Oman Refineries Ltd., Bharat PetroResources Ltd. and Premier Oil Cachar BV.

Shri R. K. Singh was appointed as Director(Refineries) w.e.f. 8th March 2006. He is liable to retire by rotation at the ensuing AGM and being eligible, offers himself for re-appointment.

4. Ms. Rama Bijapurkar

Ms. Rama Bijapurkar is a recognized thought leader on market strategy and consumer related issues in India, and a keen commentator on social and cultural change in the evolving, liberalizing India. She obtained a Post Graduate Diploma in Management from IIM Ahmedabad and holds an Honors degree in Physics from Delhi University. She has her own market strategy consulting practice and serves a wide range of Indian companies, both in the corporate and development sectors and MNCs developing their India strategy.

She is a Visiting Professor and on the Board of Governors at the Indian Institute of Management, Ahmedabad. Her work experience includes senior positions with McKinsey & Company and MARG (now a part of AC Nielsen India), as well as two full time consulting assignments with Hindustan Lever, (Unilever India) in the area of competitive strategy analysis and new business entry strategy. She writes widely read columns in the *Economic Times*, and *Business World*, and has been frequently quoted on emerging market related issues in publications like *The Asian Wall Street Journal*, *Business Week*, *Financial Times*, *International Herald Tribune*, *Christian Science Monitor,* etc.

In addition to BPCL, she is an Independent Director on the boards of some of India's leading companies including Infosys Technologies Ltd., CRISIL Ltd., Godrej Consumer Products Ltd., ICICI Prudential Life Insurance Company, Axis Bank Ltd., Mahindra & Mahindra Financial Services Ltd. etc.

Ms. Rama Bijapurkar was appointed as Additional Director w.e.f. 20th May 2008, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company. Being an Additional Director, she holds office up to the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a Member, proposing her name as Director of the Company.

5. Prof. S.K.Barua

Prof. S.K.Barua is an M.Tech in Industrial Engineering and Operations Research and holds a Doctorate in Management. He joined the faculty of Indian Institute of Management, Ahmedabad in 1980. His specific areas of interest include Capital Market, International Finance, Operations Research, Decision Support Systems, Management Information & Control System and Corporate Financial Management. He is a visiting professor to academic institutions in the USA, Netherlands, Singapore & Cyprus and has authored a number of books and case studies in Management. He is a consultant to many public and private organisations in the manufacturing, banking and financial services sectors. Besides, he has handled various assignments as Advisor to Reserve Bank of India, FICCI and the Mumbai and National Stock Exchanges.

In addition to BPCL, he holds the Directorship in a number of Companies i.e. Coal India Ltd., Paras Pharmaceuticals Ltd., Torrent Power Ltd. etc.

Prof. S.K.Barua was appointed as Additional Director w.e.f. 20th May 2008, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company. Being an Additional Director, he holds office up to the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a Member, proposing his name as Director of the Company.

6. Shri S.Mohan

Shri S. Mohan is a Mechanical Engineer from Birla Institute of Technology & Science, Pilani and M.B.A. from Indian Institute of Management, Bangalore. Prior to being appointed as Director (Human Resources), he has held various key positions in Human Resource Development, Marketing, Supply & Distribution and Engineering & Projects. In addition to BPCL, he is a Director on the Boards of Petronet India Ltd and Petronet CCK Ltd. He is a British Council Scholar and has also attended programmes at Stanford and Kellogg, U.S.A.

Shri S. Mohan was appointed as Additional Director w.e.f. 25th June 2008, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company and he took over as Director (Human Resources) on that date. Being an Additional Director, he holds office up to the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a Member, proposing his name as Director of the Company.

7. Disclosures and Compliance

Except where the Company has incurred expenses on behalf of joint ventures as co-promoter and the same are recoverable from the joint venture companies, there were no transactions of material nature that may have potential conflict with the interests of the Company at large. The details of 'Related Party Disclosures' are shown in Notes forming part of Accounts.

BPCL has been adhering to the provisions of the laws and guidelines of regulatory authorities including SEBI, and covenants in the agreements with the Stock Exchanges and Depositories. During the last three years, there was no instance of non-compliance of any provisions of law, guidelines from regulatory authorities and matters related to capital markets.

The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement and DPE Guidelines on Corporate Governance except provisions relating to the composition of the Board of Directors with respect to the number of Independent Directors, for which the Govt. of India is taking necessary action, as BPCL is a Government Company.

There are no items of expenditure in the books of accounts, which are not for the purpose of Business. Further no expenses were incurred which were personal in nature and incurred for the Board of Directors and Top Management.

The Company has fulfilled the following non mandatory requirements as prescribed in Annexure ID to Clause 49 of the Listing Agreements with the Stock Exchanges :-

a. Independent Directors appointed by the Govt. of India have initial tenure not exceeding 3 years. No Independent Director has served in aggregate a period of nine years, on the Board of a Company.
b. The Company has adopted requirements with regard to sending of quarterly/half yearly financial results to the Shareholders of the Company.

The Chairman & Managing Director and Director (Finance) have certified to the Board in accordance with Clause 49 V of the Listing Agreement and DPE guidelines on Corporate Governance pertaining to CEO/CFO Certification for the financial year 2007-08.

The Company has also laid down the Risk Management Policy and procedures thereof for periodically informing the Board Members about the risk assessment and procedures for minimising risks.

8 Code of Conduct, Procedure and Disclosures for Prevention of Insider Trading and Code of Corporate Disclosure Practices

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, the Company has adopted the 'Code of Conduct, Procedure and Disclosures for Prevention of Insider Trading in the Securities of Bharat Petroleum Corporation Limited' and 'Code of Corporate Disclosure Practices'. The Company Secretary has been appointed as the Compliance Officer for implementation of the said Codes.

9. Means of Communication of Financial performance

In order to give wider publicity and to reach the Shareholders and other investing public across the nation, the half-yearly and quarterly results were published in various editions of leading newspapers having wide circulation such as The Economic Times, The Times of India, The Hindu, The Financial Express etc. Reports on Limited Review of the Financial Results for the quarters ended 30th June 2007, 30th September 2007, 31st December 2007 were obtained from the Auditors of the Company and filed with the Stock Exchanges. The Financial Statements for the first quarter ended June 2007, half year ended September 2007 and third quarter ended December 2007, were sent to all Shareholders at their registered addresses.

Periodic financial performance of the Company is displayed on the website of the Company at www.bharatpetroleum.in and on the Electronic Data Information Filing and Retrieval System (EDIFAR), (www.sebiedifar.nic.in) website launched by SEBI in collaboration with the National Informatics Centre / Corporate Filing and Dissemination System (www.corpfiling.co.in) website as per the provisions of the Listing Agreement.

10. Management Discussion & Analysis Report

A detailed chapter on Management Discussion & Analysis is attached to the Directors' Report.

11. Investors' Service Centre

Investors' Service Centre (ISC) for Mumbai based Shareholders has been opened by our Share Transfer Agent i.e. Data Software Research Co. Pvt. Ltd at the Registered Office of BPCL at the following address.

Data Software Research Co.Pvt.Ltd
c/o Bharat Petroleum Corporation Ltd
Bharat Bhavan No.I, Ground Floor
Ballard Estate, Mumbai 400 001.
Tel No. 022 – 2271 3170 / 2271 3435 /2271 3437
Fax No. 022 – 22713688 Email : ssc@bharatpetroleum.in

The above Investors' Service Centre will be an added advantage to the Shareholders/Investors located in Western Region for facilitating the requests for transfer/transmission of shares, dividend and other Shareholder related matters and accordingly, investors can avail of services at the said Centre.

12. General Shareholders' Information

SEBI has included BPCL shares for compulsory trading in dematerialised form.

Annual General Meeting : Date, Time and Venue — Monday, 22nd September 2008 at 10.30 a.m. at the Y.B.Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021.

Financial Calendar — BPCL follows the financial year from April to March. The Unaudited Results/Audited Results for the four quarters were taken on record by the Board and published on the following dates :-

Quarter Ended	Date of Board Meeting	Date of Publication
Apr-Jun'2007	27th Jul 2007	28th Jul 2007
July-Sep'2007	31st Oct 2007	1st Nov 2007
Oct-Dec' 2007	31st Jan 2008	1st Feb 2008
Audited Results for the year 2007-08	17th Jun 2008	18th Jun 2008

Dividend Payment Date Dividend — The Board has recommended dividend @ Rs. 4 per share for the consideration of the Shareholders at the ensuing Annual General Meeting. If approved by the Shareholders, the same will be paid on or before 01.10.2008

Date of Book Closure — Friday, 12th September 2008 to Monday, 22nd September 2008 for the purpose of determining the names of Shareholders/Beneficial Owners who would be entitled for dividend.

Listing on Stock Exchanges & Security Code — The Company's shares are listed on the following Stock Exchanges:

Name of Stock Exchange	Security Code / Symbol
Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400002.	500547
National Stock Exchange of India Ltd Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400051.	BPCL

The Listing Fees have been paid for the year 2008-09 to both the above Exchanges.

ISIN Number for NSDL & CDSL — INE029A01011

Market Price Data — Please see Annexure I

Performance in comparison to broad based indices i.e.BSE100 — Please see Annexure II

Registrar and Transfer Agents

Shri H.Krishnamoorthy, General Manager (Operations),
Data Software Research Co. Pvt. Ltd.
'Sree Sovereign Complex', 22, 4th Cross Street Trustpuram,
Kodambakkam, Chennai, Tamil Nadu - 600024
Ph: +91-44-24833738 / 24834487 Fax: 91-44-2483 4636
Email : dsrcmd@vsnl.com

Share Transfer System

A Committee comprising two Whole-time Directors considers the requests for transfer/transmission of shares, dematerialisaton of shares etc. A Committee comprising four Directors i.e. two Whole-Time Directors and two Part-time (ex-officio) Directors considers request for issue of share certificates. Transfers in physical form are registered after ascertaining objections, if any, from the transferors; and no valid transfer applications are kept pending beyond the stipulated period of thirty days. Requests for dematerialization of shares are processed and confirmation is given to the respective depositories viz. NSDL and CDSL within 15 days.

Distribution of shareholding as on 31st March 2008

Shareholder	No. of Shares Held	% of Holding
1) Government of India	198,600,060	54.93
2) Government of Kerala	3,111,111	0.86
3) BPCL Trust for Investment in Shares	33,728,737	9.33
4) Unit Trust of India	1,079,800	0.30
5) Life Insurance Corporation of India	41,933,778	11.60
6) Other Financial Institutions / Banks /Mutual Funds	26,396,405	7.30
7) Foreign Institutional Investors	36,606,649	10.13
8) Private Corporate Bodies	6,204,082	1.72
9) Non Resident Indians/ Overseas Corporate Bodies	482,343	0.13
10) Employees	1,727,120	0.48
11) Indian Public	11,672,039	3.22
	361,542,124	100.00

Distribution of Shareholding on number of shares held by Shareholders and Shareholding Pattern are given in Annexure III.

Dematerialization of shares and liquidity

After merger of KRL with BPCL, out of the shares held by the Shareholders other than the Govt. of India, Govt. of Kerala, BPCL Trust for Investment in Shares, 98.77% are held in dematerialised form as on 31st March 2008.

The Company has not issued any GDRs /ADRs/ Warrants etc.

Plant Locations

Mumbai Refinery
Bharat Petroleum Corporation Ltd.
Mahul, Mumbai 400074

Kochi Refinery
Bharat Petroleum Corporation Ltd.
Ambalamugal, Kochi 682302

Lubricant Plants
Bharat Petroleum Corporation Ltd.
Wadilube Installation, Mallet Road,
Mumbai – 400009

Bharat Petroleum Corporation Ltd.
24, Parganas, Budge – Budge 743319

Bharat Petroleum Corporation Ltd.
35, Vaidyanatha Mudali street,
Tondiarpet, Chennai-600081.

Address for Correspondence

The Secretarial Department Bharat Petroleum Corporation Ltd Bharat Bhavan No.I, 4th Floor, Ballard Estate, Mumbai 400 001. Tel No. : 022 – 2271 3170 / 2271 3435 / 37 Fax No. : 022 – 22713688 Email : ssc@bharatpetroleum.in	General Manager (Operations), Data Software Research Co. Pvt. Ltd. 'Sree Sovereign Complex', 22, 4th Cross Street Trustpuram, Kodambakkam, Chennai - 600024 Ph: +91-44-24833738 / 24834487 Fax: 91-44-2483 4636 Email : dsrcmd@vsnl.com

Annexure I

BPCL Market Price Data

Month(s) (April 2007-March 2008)	Bombay Stock Exchange Ltd 2007-08			National Stock Exchange of India Ltd 2007-08		
	High (Rs. per share)	Low (Rs. per share)	Monthly Volume	High (Rs. per share)	Low (Rs. per share)	Monthly Volume
April	348.00	**291.25**	1362857	347.95	**291.00**	5887464
May	448.10	333.00	2909520	400.00	325.80	11044817
June	367.95	327.00	1833519	370.00	326.35	8216276
July	350.00	303.00	1291885	369.90	303.00	7680691
August	327.90	295.00	1380626	325.95	297.90	6774250
September	392.80	301.00	3192714	399.00	298.00	10826794
October	391.00	300.00	2103539	388.50	315.30	8562293
November	470.00	335.00	4405000	465.00	333.30	20518193
December	545.00	390.05	5051956	545.80	390.10	19225252
January	**560.00**	353.30	3580162	**556.80**	351.10	18407007
February	482.85	354.00	2718407	483.00	354.10	11646246
March	474.90	377.00	1809636	475.80	374.00	10290521

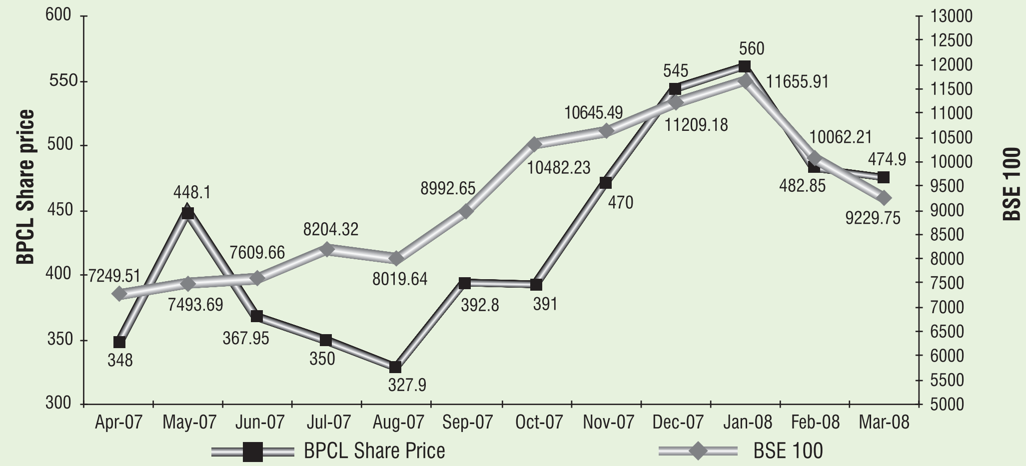
Shares traded during 1st April 2007 to 31st March 2008

	BSE	NSE
No of Shares traded	31639821	139079804
Highest Share Price	560.00 (as on 4th January, 2008)	556.80 (as on 4th January, 2008)
Lowest Share Price	291.25 (as on 2nd April, 2007)	291.00 (as on 3rd April, 2007)
Closing Share price as on 31st March 2008	411.25	408.55
Market Capitalisation as on 31st March 2008	Rs.148,684 million	Rs.147,708 million

Annexure II

PERFORMANCE IN COMPARISON TO BROAD BASED INDICES i.e. BSE 100

Share Prices / BSE 100 Monthly High Quotation

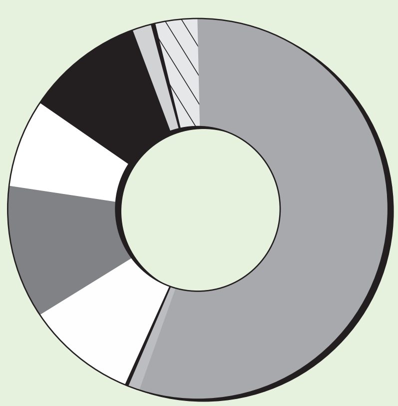


Annexure III

Distribution of shareholding as on 31st March, 2008

No. of. Equity Shares Held				No. of Shareholders	No. of Shares	% of Total
Upto	5000			89414	12276327	3.40
From	5001	-	10000	123	884804	0.25
From	10001	-	50000	153	3359995	0.93
From	50001	-	100000	44	3298075	0.91
From	100001	-	500000	78	17189389	4.75
From	500001	-	1000000	14	9775145	2.70
From	1000001	-	2000000	13	18207660	5.04
From	2000001	-	3000000	5	12760364	3.53
From	3000001	&	Above	8	283790365	78.49
TOTAL				89852	361542124	100.00

SHAREHOLDING PATTERN OF BPCL AS ON 31st MARCH 2008 (Percentage)



- 54.93% Government of India
- 0.86% Government of Kerala
- 0.30% Unit Trust of India
- 9.33% BPCL Trust for Investment in Shares
- 11.60% Life Insurance Corporation of India
- 7.30% Other Financial Institutions/Banks/Mutual Funds
- 10.13% Foreign Institutional Investors
- 1.72% Private Corporate Bodies
- 0.13% NRIs / Overseas Corporate Bodies
- 3.70% Others

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Bharat Petroleum Corporation Limited

We have examined the compliance of conditions of Corporate Governance by Bharat Petroleum Corporation Limited for the year ended 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the mandatory requirements of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement except for non-compliance of Clause 49(I)(A)(ii) relating to the number of Independent Directors on the Board of Directors of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **B.K.KHARE & CO.**
Chartered Accountants
Sd/-
Padmini Khare Kaicker
Partner
M No. 44784

Place : Mumbai
Date : August 4, 2008

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Bharat Petroleum Corporation Limited

We have examined the compliance of conditions of Corporate Governance by Bharat Petroleum Corporation Limited for the year ended 31st March, 2008, as stipulated in Guidelines on Corporate Governance for Central Public Sector Enterprises 2007 (the Guidelines) issued by Department of Public Enterprises of Ministry of Heavy Industries and Public Enterprises, Government of India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the mandatory requirements of Corporate Governance as stipulated in the Guidelines except for non-compliance of Clause 3.1.4 relating to the number of Independent Directors on the Board of Directors of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **B.K.KHARE & CO.**
Chartered Accountants
Sd/-
Padmini Khare Kaicker
Partner
M No. 44784

Place : Mumbai
Date : August 4, 2008

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE C

Particulars of Employees under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31st March 2008

Sr. No.	Name	Qualification	Age	Designation / Nature of duties	Date of Commencement of Employment	Experience (No. of years)	Remuneration	Particulars of last employment
1.	S. A. Narayan	B.Sc. (Hons), M.A. (Pers), L.L.B.	58	Director (HR)	01-01-1979	35	2,609,988.17	Shamrao Vithal Co Op Bank
2.	S. Krishnamurti	B.Sc. (Hons)	55	Executive Director (Retail) In-Charge	15-12-1982	35	2,422,324.59	IBP Co. Ltd.
3.	A. C. Sen	B.E. (Elect.)	60	GM (Health, Safety & Environment)	19-01-1983	38	2,853,069.25	W. B. Electricity Board
4.	Pallav Ghosh	B.A., M.B.A	56	GM (Retail) Headquarters	30-11-1983	32	2,449,107.67	Indian Oil Corporation Ltd.
5.	K. Vishwanathan	ACA, B.Com,	49	DGM Finance (Retail)	02-05-1985	27	2,665,955.22	Hindustan Reprographics Ltd.
6.	V. B. Upganlawar	B.Tech	60	DGM (HRS) West	24-06-1982	35	2,981,175.51	Engineers India Ltd.
7.	Shyamdas R. Menon	B.Sc,	49	Superintendent	17-01-1983	27	2,488,091.62	—

The remuneration includes, apart from regular salary, Company's contribution to Provident & Pension Funds, medical expenses.

There is no employee who is in receipt of remuneration in excess of that drawn by Chairman & Managing Director / Whole-time Director/ Manager and holds not less than 2% of the equity shares of the Company.

The above employees are not related to any Director.

ANNEXURE D

ANNUAL STATEMENT SHOWING THE REPRESENTATION OF SCHEDULED CASTES (SC), SCHEDULED TRIBES (ST) AND OTHER BACKWARD CLASSES (OBC) AS ON FIRST JANUARY 2008 AND NUMBER OF APPOINTMENTS MADE DURING THE CALENDAR YEAR 2007

NAME : BHARAT PETROLEUM CORPORATION LTD.

Groups	Representation of SCs/STs/OBCs (As on 1st January, 2008)				Number of appointments made during the calendar year 2007									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Group-A	4580	748	266	361	365	57	24	57	85	11	1	—	—	—
Group-B	3498	487	187	226	9	—	—	2	136	18	5	—	—	—
Group-C	3364	577	216	291	85	9	2	25	146	14	2	—	—	—
Group-D (Excluding Sweepers)	2523	504	161	276	12	2	—	5	—	—	—	—	—	—
Group-D (Sweepers)	63	38	3	7	—	—	—	—	—	—	—	—	—	—
Total	14028	2354	833	1161	471	68	26	89	367	43	8	—	—	—

ANNUAL STATEMENT SHOWING THE REPRESENTATION OF SCHEDULED CASTES (SC), SCHEDULED TRIBES (ST) AND OTHER BACKWARD CLASSES (OBC) IN VARIOUS GROUP 'A' SERVICES AS ON FIRST JANUARY 2008 AND NUMBER OF APPOINTMENTS MADE IN THE SERVICE IN VARIOUS GRADES DURING THE CALENDAR YEAR 2007

Name of PSU : BHARAT PETROLEUM CORPORATION LTD.

Pay Scale (in Rupees)	Representation of SCs/STs/OBCs (As on 1st January 2008)				Number of appointments made during the calendar year 2007									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
12000-17500	1003	176	75	177	352	56	24	56	85	11	1	—	—	—
13750-18750	1110	176	71	120	11	1	—	1	—	—	—	—	—	—
16000-20800	1015	202	77	58	1	—	—	—	—	—	—	—	—	—
17500-22300	650	133	31	5	1	—	—	—	—	—	—	—	—	—
18500-23900	428	45	9	1	—	—	—	—	—	—	—	—	—	—
19000-24750	195	7	2	—	—	—	—	—	—	—	—	—	—	—
19500 & above	179	9	1	—	—	—	—	—	—	—	—	—	—	—
TOTAL	4580	748	266	361	365	57	24	57	85	11	1	—	—	—

ANNEXURE E

ADDENDUM

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA U/S 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHARAT PETROLEUM CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH, 2008	The preparation of financial statements of Bharat Petroleum Corporation Limited for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17 June 2008. I, on the behalf of the Comptroller & Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Bharat Petroleum Corporation Limited for the year ended 31 March 2008. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.

For and on the behalf of the Comptroller and

Auditor General of India

Sd/-
K.P. SASIDHARAN
Principal Director of Commercial Audit &
ex-officio Member, Audit Board II, Mumbai

Mumbai
8th July 2008

PERFORMANCE PROFILE

		2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
1.	**Crude Oil Processed (000 Tonnes)**											
	Imported	**13904**	13465	11584	5093	4543	3230	3587	2743	2546	1731	1222
	Indigenous	**7042**	6317	5653	4045	4214	5481	5183	5919	6323	7205	6720
	TOTAL	**20946**	19782	17237	9138	8757	8711	8770	8662	8869	8936	7942
2.	**Production Quantity (000 KL)**	**23960**	22154	19795	10314	10210	10291	10355	10348	10643	10861	9648
	Light Distillates %	**30.73**	28.20	31.97	31.35	33.27	34.32	33.51	34.74	32.69	34.85	34.47
	Middle Distillates %	**54.13**	53.55	50.43	49.89	49.13	50.73	50.45	49.43	53.45	53.90	54.29
	Heavy Ends %	**15.14**	18.25	17.60	18.76	17.60	14.95	16.04	15.83	13.86	11.25	11.24
3.	**Fuel and Loss as % of Crude Processed**	**6.6**	6.6	6.7	5.9	5.7	5.6	5.6	5.4	4.9	4.5	4.8
4.	**Aromatics Production (MT)**											
	Benzene	**88313**	103585	61335	44243	43178	69798	56360	75293	76351	70496	57169
	Toluene	**26336**	39544	43051	10042	12759	20013	16610	16344	19569	16990	18664
5.	**Market Sales (MMT)**	**25.79**	23.45	21.63	21.03	20.37	19.86	19.15	19.35	18.68	17.50	16.37
6.	**Lubricants Production (MT)**	**161957**	116337	100461	106287	101245	112730	99875	96624	100396	102684	86951
7.	**Market Participation %**	**22.7**	22.6	22.4	21.9	22.1	22.0	21.5	21.4	20.7	20.6	20.5
8.	**Marketing Network**											
	Installations	**12**	12	12	12	12	17	19	19	19	16	16
	Depots	**126**	121	121	123	129	153	171	164	146	131	128
	Aviation Service Stations	**22**	21	20	19	19	19	19	19	19	16	15
	Total Tankages (Million KL)	**3.32**	3.27	3.01	3.05	3.08	3.13	3.23	2.94	2.88	2.72	2.30
	Retail Outlets	**8251**	7537	7332	6426	5530	4854	4711	4562	4489	4423	4407
	LPG Bottling Plants	**48**	48	45	44	42	40	40	38	32	27	21
	LPG Distributors	**2137**	2129	2123	2061	1922	1828	1729	1421	1345	1200	1179
	LPG Customers (No. Million)	**25.25**	23.51	22.24	21.32	19.43	16.99	15.28	13.80	11.40	9.11	8.03
9.	**Manpower (Nos.)**	**14006**	13970	13876	12029	12434	12494	12586	12670	12638	12264	12094
10.	**Sales and Earnings (Figures in Rs. Million)**											
	i) Sales and Other Income *	**1139356**	1024275	829345	633430	529828	475844	425597	471532	358911	258299	209187
	ii) Gross Profit before Depreciation, Interest & Tax	**43680**	42044	14226	20922	33016	27204	21144	20332	17377	15568	12143
	iii) Depreciation	**10982**	9041	7680	5960	5612	4809	4810	6645	6154	4040	3824
	iv) Interest	**6725**	5327	2474	1398	1050	2459	3066	2556	1854	1745	1122
	v) Profit before Tax	**25973**	27676	4072	13563	26355	19935	13268	11131	9369	9783	7197
	vi) Tax	**10100**	9553	1166	4271	9284	7281	4911	2930	2330	2770	1870
	vii) Excess / (Short) provision for Taxation in earlier years written back/ provided for	**(67)**	(68)	10	366	(125)	(154)	141	126	(22)	48	(113)
	viii) Profit after Tax #	**15806**	18055	2916	9658	16946	12500	8498	8327	7017	7061	5214

* Figures from 1986-87 includes Sales to Other Oil Companies.
# After adjusting prior period tax.

1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976
1486	1110	1891	2610	2685	2062	1397	1008	623	1204	105	67	175	1268	3596
6108	6240	5491	4596	4550	4900	5514	6024	5535	5352	5467	6311	5279	3603	159
7594	7350	7382	7206	7235	6962	6911	7032	6158	6556	5572	6378	5454	4871	3755
8986	8816	8788	8644	8653	8372	8329	8525	7367	7858	6667	7574	6619	5769	4312
32.54	33.27	32.29	31.20	31.49	32.29	30.87	31.09	29.29	27.83	27.78	28.08	25.75	22.22	19.97
55.23	54.74	54.62	53.59	53.88	54.95	55.70	57.07	60.12	59.38	60.39	59.35	54.36	55.66	55.93
12.23	11.99	13.09	15.21	14.63	12.76	13.43	11.84	10.59	12.79	11.83	12.57	19.89	22.12	24.10
4.8	5.6	5.4	4.7	4.2	4.2	4.5	4.5	5.6	5.6	5.8	6.2	4.5	4.9	5.7
81533	60575	57511	22037	56612	69564	68426	56499	59624	45928	18603	20112	-	-	-
20689	13182	13437	7047	11070	9048	10877	8843	7494	8414	4948	4455	-	-	-
15.76	14.78	13.23	12.10	11.41	10.71	10.38	10.18	9.31	8.56	7.93	7.57	7.05	5.29	3.63
69164	67876	66681	74154	82911	95091	87459	94672	92725	84691	74763	72414	69425	60813	40939
20.4	20.3	20.2	20.0	19.5	18.8	18.9	18.9	18.7	18.5	18.3	18.7	18.3	17.2	15.3
16	16	16	16	14	12	10	10	10	9	9	8	8	7	5
131	122	118	117	98	94	83	78	69	69	65	62	60	57	61
16	16	16	14	14	13	13	13	12	11	9	8	8	3	2
1.81	1.62	1.57	1.52	1.37	1.17	1.01	0.91	0.87	0.74	0.75	0.67	0.66	0.66	0.61
4373	4312	4214	4090	4040	4005	3965	3894	3822	3741	3663	3567	3486	3311	3183
19	18	16	16	15	15	15	15	14	8	4	2	2	-	-
1146	1062	948	866	816	793	767	740	704	651	616	518	409	154	90
6.93	6.02	5.37	4.78	4.35	4.05	3.77	3.61	3.31	3.03	2.70	2.32	1.96	0.59	0.49
11704	11499	11207	11299	11167	11158	11029	10616	10578	10203	9397	8321	7894	5808	4847
181564	150234	133863	115203	102349	88828	73951	60816	54762	50797	44878	31650	26642	15124	6728
9775	9101	7618	5456	4735	4028	3488	3010	2424	1903	1843	1772	930	394	103
2258	2179	2603	1365	1431	1031	961	1030	789	635	816	776	533	125	24
821	394	437	467	383	442	372	314	334	338	342	307	189	38	19
6696	6528	4578	3624	2921	2555	2155	1666	1301	930	685	689	208	231	60
2370	2670	1690	1470	1220	1070	877	440	258	150	82	76	70	127	43
(250)	—	33	21	—	—	—	—	—	—	—	—	—	—	—
4076	3858	2921	2175	1701	1485	1278	1226	1043	780	603	613	138	104	17

PERFORMANCE PROFILE (CONTD.)

			2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
11.	**What the Company Owned (Rs. Million)**												
	i)	Gross Fixed Assets (including Capital Work-in-Progress)	**222676**	203099	185450	140174	125657	109351	97222	88235	76295	62228	50463
	ii)	Net Fixed Assets (including Capital Work-in-Progress)	**127354**	118334	110855	83487	74535	63662	56016	51663	45916	37886	30050
	iii)	Net Current Assets (including Investments and Advance for Investments)	**154452**	106520	77834	28904	19083	24136	29434	30712	14958	9004	9832
		Total Assets Net (ii + iii)	**281806**	224854	188689	112391	93618	87798	85450	82375	60874	46890	39882
12.	**What the Company Owed (Rs. Million)**												
	i)	Share Capital	**3615**	3615	3615	3000	3000	3000	3000	3000	1500	1500	1500
	ii)	Reserves and Surplus	**113153**	99120	87779	60884	55497	44474	36974	37794	33447	28718	23738
	iii)	Net Worth (i + ii)	**116768**	102735	91394	63884	58497	47474	39974	40794	34947	30218	25238
	iv)	Borrowings	**150224**	108293	83736	38817	26897	32859	38487	41581	25927	16672	14644
	v)	Deferred Tax Liability (net)	**14814**	13826	13559	9690	8224	7465	6989	-	-	-	-
		Total Funds Employed (iii + iv + v)	**281806**	224854	188689	112391	93618	87798	85450	82375	60874	46890	39882
13.	**Internal Generation (Rs. Million)**		**26363**	22177	10614	12820	17399	12763	10998	12306	10894	8990	8227
14.	**Value Added (Rs. Million)**		**80244**	79553	47808	48766	57743	52031	43716	41448	36925	30018	24447
15.	**Earnings in Foreign Exchange (Rs. Million)**		**74402**	55851	42867	19446	13204	11913	6554	8700	5730	2993	3567
16.	**Ratios**												
	i)	Gross Profit before Depreciation, Interest & Tax as % age of Sales and Other Income	**3.5**	3.9	1.7	3.3	6.1	5.6	5.3	4.4	5.2	7.1	10.1
	ii)	Profit after Tax as % age of average Net Worth	**14.4**	18.6	3.2	15.8	32.0	28.6	21.0	22.0	21.5	25.5	22.6
	iii)	Profit after Tax as % age of Share Capital	**437.2**	499.4	80.7	321.9	564.9	416.7	283.3	277.5	467.8	470.7	347.6
	iv)	Average Net Worth as % age of Share Capital	**3036.0**	2685.0	2527.8	2039.7	1766.2	1457.5	1346.1	1262.4	2172.2	1848.5	1536.2
	v)	Gross Profit before Depreciation, Interest & Tax as % age of Capital Employed	**15.9**	19.4	8.0	21.2	41.5	34.8	26.1	26.7	31.1	38.5	34.0
	vi)	Profit before Tax as % age of Capital Employed	**9.5**	12.8	2.3	13.7	33.1	25.5	16.4	14.6	16.8	24.2	20.1
	vii)	Profit After Tax as % age of Capital Employed (ROCE)	**5.8**	8.3	1.6	9.8	21.3	16.0	10.5	10.9	12.5	17.4	14.6
	viii)	Debt Equity Ratio	**1.29**	1.05	0.92	0.61	0.46	0.69	0.96	1.02	0.7	0.6	0.6
17.	**Earning per Share (Rupees) #**		**43.72**	49.94	8.07	32.19	56.49	41.67	28.33	27.76*	46.78	47.07	34.76
18.	**Book Value per Share (Rupees)**		**323.01**	284.19	252.79	212.95	194.99	158.25	133.25	135.98@	232.98	201.45	168.25

After adjusting prior period tax
* Issue of Bonus Shares in the ratio 1:1.
** Issue of Bonus Shares in the ratio 2:1.
@ On Post-Bonus Capital

Note : The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976
39491	32502	27907	23685	20566	17525	15234	13246	11224	9549	7518	6005	4947	963	461
22762	17940	15455	13741	11928	10237	8940	7873	6832	5991	4276	3596	3292	471	226
11695	4622	2578	1838	839	1238	1139	802	314	142	908	1093	583	869	259
34457	22562	18033	15579	12767	11475	10079	8675	7146	6133	5184	4689	3875	1340	485
1500	1500	1500	500	500	500	500	500	279	279	279	279	166	145	145
19349	15818	12455	11021	9010	7475	6140	4962	4057	3070	2062	1496	1035	498	190
20849	17318	13955	11521	9510	7975	6640	5462	4336	3349	2341	1775	1201	643	335
13608	5244	4078	4058	3257	3500	3439	3213	2810	2784	2843	2914	2674	697	150
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34457	22562	18033	15579	12767	11475	10079	8675	7146	6133	5184	4689	3875	1340	485
5782	5544	5032	3376	2967	2366	2139	2154	1855	1358	1425	1350	650	212	26
20769	19555	15622	9261	8886	7863	6820	4813	4994	3873	3405	2922	2235	1008	281
4172	3610	2724	2362	2042	1600	1971	1361	1199	1100	1156	1030	877	1	22
9.1	9.6	9.3	8.4	7.8	7.0	6.6	6.1	5.5	4.7	5.2	7.5	4.3	3.2	1.8
21.4	24.7	22.9	20.7	19.5	20.3	21.1	25.0	28.4	26.7	29.3	41.2	12.1	17.4	6.7
271.7	257.2	194.8	435.1	340.1	296.9	255.6	245.1	391.7	273.0	216.7	220.2	83.3	71.8	11.5
1272.2	1042.4	849.2	2103.1	1748.5	1461.5	1210.2	979.8	1379.7	1021.5	738.9	534.3	689.8	412.4	170.9
33.0	45.9	50.6	43.1	47.8	44.1	46.5	45.5	44.3	48.4	51.1	49.0	37.5	33.5	21.8
22.6	33.0	30.4	28.6	29.5	28.0	28.7	25.2	23.8	23.7	19.0	19.0	8.4	19.7	12.6
13.8	19.5	19.4	17.2	17.2	16.3	17.0	18.5	19.9	19.4	16.7	16.9	5.6	8.9	3.5
0.7	0.3	0.3	0.4	0.3	0.4	0.5	0.6	0.6	0.8	1.2	1.6	2.2	1.1	0.4
27.17	25.72	19.48**	43.51	34.02	29.69	25.56	24.51	37.45	28.01	21.71	22.01	6.07	4.68	0.72
139.00	115.45	93.04 @	230.42	190.21	159.49	132.80	109.24	155.69	120.23	84.04	63.74	52.23	27.97	14.56

SOURCES AND APPLICATION OF FUNDS

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
SOURCES OF FUNDS											
OWN											
Profit After Tax*	**15806**	18055	2916	9658	16946	12500	8498	8326	7017	7061	5214
Capital Grants Received / (Reversed) (Net of Amortisation)	**(1)**	(10)	31	—	—	—	—	—	—	—	—
Adjustment on account of Transitional Provisions	**(354)**	—	—	—	—	—	—	—	—	—	—
Depreciation	**10987**	10560	7706	5966	5618	4785	4829	6459	6165	4011	3838
Investment	—	—	—	2998	1292	2332	—	—	231	5139	—
Shareholders' Investment	—	—	—	—	—	—	—	—	—	—	—
Deferred Tax Provision	**1108**	268	1025	1466	758	477	971	—	—	—	—
BORROWINGS											
Loans (Net)	**41931**	24556	37147	11919	—	—	—	15655	9254	2029	1036
LPG Deposits	**2321**	1544	1502	1702	2381	1827	1981	3847	3449	1683	2473
Decrease in Working Capital	—	13825	—	—	1379	1138	8618	—	—	—	7746
Adjustment on account of Deletion/ Re-classification, etc.	**385**	44	73	170	34	63	59	141	28	17	25
	72183	68842	50400	33879	28409	23123	24956	34428	26144	19940	20332
APPLICATION OF FUNDS											
Capital Expenditure	**20392**	18083	20091	15087	16525	12494	9241	12347	14223	11865	11151
Dividend	**1446**	5785	904	3750	5250	4500	3300	2250	1875	1875	750
Tax on distributed profits	**92**	919	127	520	673	500	—	230	413	206	75
Repayment of Loans (Net)	—	—	—	—	5961	5629	3094	—	—	—	—
Investment	**20233**	44055	27882	—	—	—	9321	8638	—	—	8356
Increase in Working Capital	**30020**	—	1396	14522	—	—	—	10963	9633	5994	—
	72183	68842	50400	33879	28409	23123	24956	34428	26144	19940	20332

*After Adjusting Prior Period Tax

Note: The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976 (Rs. Million)
4076	3858	2921	2175	1701	1485	1278	1226	1043	780	603	613	138	104	17
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2251	2181	2605	1366	1431	1031	961	1028	868	634	861	776	535	128	24
—	765	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	171
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8364	1166	20	802	—	62	226	403	25	—	—	240	746	620	115
1205	971	788	520	254	373	176	285	214	222	276	328	260	12	11
—	—	—	—	539	—	—	—	—	546	—	—	—	—	—
18	51	38	8	41	12	2	26	19	5	—	27	3	1	(75)
15914	8992	6372	4871	3966	2963	2643	2968	2169	2187	1740	1984	1682	865	263
7091	4718	4348	3187	3162	2340	2030	2095	1728	2071	1538	1107	1544	231	26
495	495	495	165	165	150	100	100	56	56	39	39	23	20	15
49	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	245	—	—	—	—	60	71	—	—	—	—
790	—	922	722	394	67	275	21	10	—	—	—	6	—	1
7489	3779	607	797	—	406	238	752	375	—	92	838	109	614	221
15914	8992	6372	4871	3966	2963	2643	2968	2169	2187	1740	1984	1682	865	263

SALES VOLUME ('000 MT)

	2007-08		2006-07		2005-06		2004-05		2003-04	
	Sales	**Market Share (%)**	Sales	Market Share (%)	Sales	Market Share (%)	Sales	Market Share (%)	Sales	Market Share (%)
Light Distillates :										
Naphtha	**1022**	**20.8**	1136	22.2	1307	25.4	1047	16.0	1373	19.4
LPG (Bulk & Packed)	**2933**	**26.4**	2734	26.3	2586	26.1	2593	26.1	2329	25.6
Motor Spirit	**2914**	**29.5**	2635	29.9	2475	30.0	2460	30.0	2453	30.9
Special Boiling Point Spirit/Hexane	**32**	**26.6**	35	27.2	36	17.5	24	16.9	30	19.0
Benzene	**87**	**87.4**	101	98.5	59	88.5	48	53.2	46	52.9
Toluene	**27**	**91.0**	40	89.4	44	92.6	11	20.3	8	20.7
Polypropylene Feedstock	**62**		46		38		49		17	
Regasified - LNG	**905**		679		479		250			
Others	**207**		167		122		79		51	
Sub Total	**8189**		7573		7146		6561		6307	
Middle Distillates :										
Aviation Turbine Fuel	**959**	**21.1**	880	21.9	680	20.6	587	20.6	566	22.5
Superior Kerosene Oil	**1637**	**17.0**	1643	17.1	1626	16.9	1619	16.8	1614	16.7
High Speed Diesel	**11482**	**24.7**	9922	24.4	8551	23.5	9112	23.9	9023	24.3
Light Diesel Oil	**107**	**16.1**	113	15.7	156	18.7	158	14.5	146	12.3
Mineral Turpentine Oil	**102**	**55.1**	113	59.9	124	61.9	85	36.8	93	41.7
Others							7		21	
Sub Total	**14287**		12671		11137		11568		11463	
Others :										
Furnace Oil	**1745**	**21.6**	1923	23.6	1944	23.7	1671	20.7	1366	19.1
Low Sulphur Heavy Stock	**600**	**18.5**	585	17.5	753	19.3	708	16.2	741	16.1
Bitumen	**653**	**14.6**	490	12.8	480	13.8	387	11.7	371	10.9
Lubricants	**232**	**20.5**	133	14.6	116	13.0	117	14.1	111	12.6
Others	**80**		77		54		14		10	
Sub Total	**3310**		3208		3347		2897		2599	
Grand Total	**25786**	**22.66**	23452	22.63	21630	22.37	21026	21.92	20369	22.07

Note 1 : Market Share is based on Sales Volumes of Public Sector Oil Companies.
Note 2 : The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

PRODUCTION ('000 MT)

	2007-08	2006-07	2005-06	2004-05	2003-04
Light Distillates :					
Naphtha	**2057**	1810	1957	1125	1106
LPG	**890**	822	739	359	367
Motor Spirit	**2054**	1856	1632	929	878
Special Boiling Point Spirit/Hexane	**33**	37	44	24	30
Benzene	**88**	104	61	44	43
Toluene	**26**	40	43	10	13
Polypropylene Feedstock	**63**	46	38	48	16
Others	**3**	3	3	0	5
Sub Total	**5214**	4718	4517	2539	2458
Middle Distillates:					
Aviation Turbine Fuel	**984**	706	536	329	336
Superior Kerosene Oil	**1403**	1745	1551	772	762
High Speed Diesel	**7960**	6939	5785	2828	2746
Light Diesel Oil	**109**	151	165	164	132
Mineral Turpentine Oil	**98**	115	128	85	92
Lube Oil Base Stock	**154**	105	0	0	0
Sub Total	**10708**	9762	8165	4178	4068
Heavy Ends :					
Furnace Oil	**2360**	2871	2209	1041	990
Low Sulphur Heavy Stock	**574**	569	706	518	455
Sulphur	**81**	71	48	15	10
Bitumen	**622**	481	439	307	278
Others	**11**				
Sub Total	**3648**	3993	3402	1881	1733
Grand Total	**19570**	18472	16084	8598	8259

Lubricants Production (MT)

2007-08	2006-07	2005-06	2004-05	2003-04
161957	116337	100461	106287	101245

Quantity of LPG Filled in Cylinders (MT)

2007-08	2006-07	2005-06	2004-05	2003-04
2634798	2444639	2322096	2330185	2111173

Note : The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

HOW VALUE IS GENERATED

	2007-08	Rs. Million 2006-07
Value of Production (Refinery)	**569,251**	480,028
Less : Direct Materials Consumed	**(488,421)**	(421,430)
Added Value	**80,830**	58,598
Marketing Operations	**(821)**	20,945
Value added by Manufacturing & Trading Operations	**80,009**	79,543
Add : Other Income and prior period items	**15,208**	6,322
Total Value Generated	**95,217**	85,865

HOW VALUE IS DISTRIBUTED

		2007-08		Rs. Million 2006-07
1. OPERATIONS				
Operating & Service Costs		**38,800**		33,794
2. EMPLOYEES' BENEFITS				
Salaries, Wages & Bonus	**10,124**		7,561	
Other Benefits	**2,848**	**12,972**	2,476	10,037
3. PROVIDERS OF CAPITAL				
Interest on Borrowings	**6,725**		5,327	
Dividend	**1,538**	**8,263**	6,703	12,030
4. INCOME TAX		**9,059**		9,354
5. RE-INVESTMENT IN BUSINESS				
Depreciation	**10,982**		9,041	
Deferred Tax	**1,108**		268	
Retained Profit	**14,033**	**26,123**	11,341	20,650
Total Value Distributed		**95,217**		85,865

AUDITORS' REPORT TO THE MEMBERS OF BHARAT PETROLEUM CORPORATION LIMITED

1. We have audited the attached Balance Sheet of **BHARAT PETROLEUM CORPORATION LIMITED** as at 31st March 2008 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books.

   c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.

   d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   e) Disclosure in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required as per Notification No. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.

   f) Without qualifying our opinion, we invite attention to Note No. 10 of Schedule X – Notes to Accounts, regarding impairment of assets wherein, being technical matters subject to uncertainty we have relied on the estimates and assumptions made by the Company in arriving at recoverable value of assets, based on desired margins.

   g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008,

      ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date, and

      iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
B. K. KHARE AND CO.
Chartered Accountants

Sd/-
PADMINI KHARE KAICKER
Partner
M. No. 44784

Place : Mumbai
Dated : June 17, 2008

ANNEXURE TO AUDITORS' REPORT

(Referred to in Paragraph (3) of our report of even date on the accounts of BHARAT PETROLEUM CORPORATION LIMITED for the year ended 31st March 2008.)

(i) In respect of fixed assets

a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except in respect of items like pipes, valves, meters, instruments and other similar items peculiar to a continuous process plants.

b) The Company has carried out physical verification of fixed assets, other than LPG cylinders with customers, in accordance with the verification programme and the frequency of verification is reasonable. According to information and explanation given to us, no material discrepancies have been reported on such verification.

c) In our opinion, the disposal of fixed assets during the year does not affect the going concern assumption.

(ii) In respect of inventories:

a) The inventories of finished goods, stores, spares parts and raw materials, except those lying with third parties and in transit, have been verified by the management at reasonable intervals. In respect of inventories lying with third parties, these have been confirmed by them.

b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management were generally reasonable and adequate in relation to the size of the company and the nature of its business.

c) In our opinion and according to the information and explanation given to us, the company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification as compared to the records of inventories.

(iii) Based on the audit procedures applied by us and according to the information and explanation given to us, the company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clause (b) to (g) of sub-para (iii) of para 4 of the Order are not applicable.

(iv) In our opinion and according to the information and explanation given to us, having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventories and fixed assets and for the sale of goods and

services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

(v) In respect of transactions entered in the register maintained under section 301 of the Companies Act, 1956:

a) In our opinion and according to the information and explanation given to us, there were no transactions exceeding the value of Rs. five lakhs in case of any party that need to be entered in the Register maintained in pursuance of section 301 of the Companies Act, 1956.

b) As there are no transactions exceeding the value of Rs. five lakhs in case of any party that need to be entered in the Register maintained pursuant to section 301 of the Companies Act, 1956, sub-clause (b) of sub-para (v) of Para 4 of the Order regarding reasonability of price at which such transactions have been entered is not applicable.

(vi) In our opinion and according to the information and explanation given to us, the company has complied with the directives issued by the Reserve Bank of India, the provision of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.

(vii) In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been kept and maintained. We have not made a detailed examination of these records.

(ix) According to the information and explanations given to us, in respect of statutory and other dues:

a) According to the records of the Company, the company has been generally regular in depositing undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance Fund, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and any other statutory dues, with appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty were outstanding, at the year end for a period of more than six months from the date they became payable.

b) The details of disputed dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty, cess, which have not been deposited are given in Annexure I.

(x) The company does not have any accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not defaulted in repayment of dues to Financial Institutions / Banks.

(xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.

(xiv) (a) The Company does not deal or trade in shares, securities, debentures and other investments.

(b) The shares, securities, debentures and other investments are held by the Company in its own name except to the extent of the exemption granted under section 49 of the Companies Act, 1956.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks / Financial Institutions.

(xvi) In our opinion, the term loans obtained during the year, prima facie, have been applied for the purpose for which the loans were raised.

(xvii) According to the information and explanations given to us, based on an overall examination of the Balance Sheet and Cash Flows of the Company, we report that the Company has not utilized funds raised on short-term basis for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act 1956.

(xix) The Company did not issue any debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) As presented to us by the management and based on our examination in the normal course of audit, no material frauds on or by the Company have been noticed or reported during the year.

For and on behalf of
B. K. KHARE AND CO.
Chartered Accountants

Sd/-
PADMINI KHARE KAICKER
Partner
M. No. 44784

Place : Mumbai
Dated : June 17, 2008

Annexure 1

(Amount in Rs. Million)

Nature of Statute / Nature of Dues	Period Block	Forum where Dispute is pending							Grand Total
		Supreme Court	High Court	Appellate Tribunal*	Appellate Authority**	Adjudicating Authority***	Joint Secretary, MOF	Board of Revenue	
Customs Act, 1962 (Customs Duty Including Penalty & Interest, wherever applicable)	1995 to 2000	—	—	195.85	1.33	32.53	—	—	229.71
	2000 to 2005	—	—	114.64	9.93	3.16	—	—	127.73
	2005 to 2008	—	—	—	—	0.12	—	—	0.12
Customs Duty Total		—	—	**310.49**	**11.26**	**35.81**	—	—	**357.56**
Central Excise Act, 1944 (Excise Duty Including Penalty & Interest, wherever applicable)	1985 to 1990	—	—	0.66	0.71	—	—	—	1.37
	1990 to 1995	—	—	0.13	1.70	—	—	—	1.83
	1995 to 2000	7.38	—	122.82	41.96	—	—	—	172.16
	2000 to 2005	—	—	10,215.70	51.42	—	1.28	—	10,268.40
	2005 to 2008	—	—	1,951.57	3.67	—	1.16	—	1,956.40
Excise Duty Total		**7.38**	—	**12,290.88**	**99.46**	—	**2.44**	—	**12,400.16**
Sales Tax/ VAT Legislations (Sales Tax Including Penalty & Interest, wherever applicable)	1980 to 1985	—	0.37	0.92	—	—	—	—	1.29
	1985 to 1990	—	31.05	56.90	16.29	15.00	—	0.19	119.43
	1990 to 1995	—	130.07	21.05	55.93	359.32	—	—	566.37
	1995 to 2000	—	3.18	2,715.58	6,927.72	988.45	—	11.21	10,646.14
	2000 to 2005	—	1,989.99	28.72	4,823.80	469.24	—	(1.03)	7,310.72
	2005 to 2008	—	129.09	—	259.29	—	—	—	388.38
Sales Tax Total		—	**2,283.75**	**2,823.17**	**12,083.03**	**1,832.01**	—	**10.37**	**19,032.33**
Sales Tax / VAT Legislations (Works Contract Tax Including Penalty & Interest, wherever applicable)	1990 to 1995	—	—	—	0.83	—	—	—	0.83
Works Contract Tax Total		—	—	—	**0.83**	—	—	—	**0.83**
Income Tax Act, 1961 (Income Tax including Penalty & Interest, wherever applicable)	1990 to 1995	—	67.31	2.18	—	—	—	—	69.49
	1995 to 2000	—	2.59	4.83	13.52	—	—	—	20.94
	2000 to 2005	—	—	55.12	7.00	—	—	—	62.12
Income Tax Total		—	**69.90**	**62.13**	**20.52**	—	—	—	**152.55**
Finance Act, 1994 (Service Tax)	2000 to 2005	—	—	—	1.87	—	—	—	1.87
Service Tax Total		—	—	—	**1.87**	—	—	—	**1.87**
Grand Total		**7.38**	**2,353.65**	**15,486.67**	**12,216.97**	**1,867.82**	**2.44**	**10.37**	**31,945.30**

* *Appellate Tribunal includes Sales Tax Tribunal, CESTAT and ITAT.*

** *Apellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, Joint Commissioner Appeals and Deputy Commissioner Commercial Taxes Appeals.*

*** *Adjudicating Authority includes Collector of Sales Tax, Sales Tax Officer and Deputy Commissioner Sales Tax, Joint / Deputy/ Additional Commissioner of Commercial Taxes*

BALANCE SHEET AS AT 31ST MARCH, 2008

	SCHEDULE	Rs. Million	31/03/2007 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**3,615.42**	3,615.42
Share Application Money Suspense Account		**0.02**	0.02
		3,615.44	3,615.44
Reserves and Surplus	B	**113,152.96**	99,119.97
		116,768.40	102,735.41
2. Loan funds :	C		
Secured Loans		**27,302.07**	25,939.59
Unsecured Loans		**122,921.69**	82,352.76
		150,223.76	108,292.35
3. Deferred tax liability (net)		**14,813.65**	13,825.94
TOTAL		**281,805.81**	224,853.70
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**215,009.25**	194,575.77
Less : Depreciation and amortisation		**(95,322.57)**	(84,765.33)
Net block		**119,686.68**	109,810.44
Capital work–in–progress	E	**7,667.09**	8,523.43
		127,353.77	118,333.87
2. Investments	F	**93,580.13**	73,854.24
3. Advance for Investments	FA	**9,602.02**	9,094.77
4. Current assets, loans and advances :			
Inventories	G	**106,038.36**	86,612.59
Sundry debtors	H	**16,086.05**	15,187.34
Cash and bank balances	I	**9,615.91**	8,639.68
Other current assets	J	**49,328.68**	10,057.82
Loans and advances	K	**16,003.51**	15,811.15
		197,072.51	136,308.58
Less : Current liabilities and provisions :			
Liabilities	L	**135,941.14**	102,006.14
Provisions	M	**9,861.48**	10,731.62
		145,802.62	112,737.76
Net current assets		**51,269.89**	23,570.82
TOTAL		**281,805.81**	224,853.70
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors

Sd/–
ASHOK SINHA
Chairman and Managing Director

Sd/–
S. K. JOSHI
Director (Finance)

Sd/–
N. VISWAKUMAR
Company Secretary

As per our attached report of even date

For and on behalf of
B. K. KHARE & CO.
Chartered Accountants

Sd/–
PADMINI KHARE KAICKER
Partner
Membership No. 44784

Place : Mumbai
Dated : 17th June, 2008

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2008

	SCHEDULE	Rs. Million	2006–07 Rs. Million
INCOME			
Sale of products & related income	N	**1,216,840.69**	1,074,522.70
Less: Excise Duty Paid		**(111,373.14)**	(98,920.49)
		1,105,467.55	975,602.21
Miscellaneous income	O	**13,954.21**	7,524.88
Increase/(Decrease) in Inventory	P	**(3,924.96)**	2,054.45
TOTAL		**1,115,496.80**	985,181.54
EXPENDITURE			
Purchase of products for resale		**526,646.36**	463,904.37
Raw materials consumed	Q	**489,219.26**	422,033.36
Packages consumed		**871.89**	778.17
Excise Duty on Inventory differential		**(2,036.09)**	2,281.46
Other Duties, taxes etc. and other charges applicable to products		**5,422.38**	7,752.23
Transportation		**20,523.89**	18,758.02
Consumption of stores, spares and materials	R	**702.34**	736.01
Power and Fuel	S	**617.54**	666.44
Employees' remuneration and other benefits	T	**12,972.08**	10,036.99
Interest	U	**6,724.72**	5,326.66
Other operating and administration expenses	V	**18,131.25**	14,987.23
Depreciation and amortisation		**10,982.06**	9,041.12
TOTAL		**1,090,777.68**	956,302.06
Profit		**24,719.12**	28,879.48
Prior period income/(expenses) net	W	**1,253.75**	(1,203.04)
Profit before tax		**25,972.87**	27,676.44
Provision for Taxation			
– Current Tax		**8,839.00**	9,168.50
– Fringe Benefit Tax		**153.00**	117.30
– Deferred Tax (Net)		**1,108.00**	267.53
– Short provision for Taxation in earlier years provided for		**67.26**	68.36
Profit after tax		**15,805.61**	18,054.75
Transfer from / (to) Debenture Redemption Reserve		—	4,450.00
Balance brought forward		**0.01**	26,829.10
Disposable Profit		**15,805.62**	49,333.85
Appropriations:			
Interim dividend paid		—	2,169.25
Proposed dividend		**1,446.17**	3,615.42
Corporate Dividend Tax on interim and proposed dividend		**91.61**	918.68
		1,537.78	6,703.35
Transfer to General Reserve		**14,267.83**	42,630.49
Balance Carried to Balance Sheet		**0.01**	0.01
Earnings per Share – Rs.			
– Basic		**43.72**	49.94
– Diluted		**43.72**	49.94
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors

Sd/–
ASHOK SINHA
Chairman and Managing Director

Sd/–
S. K. JOSHI
Director (Finance)

Sd/–
N. VISWAKUMAR
Company Secretary

Place : Mumbai
Dated : 17th June, 2008

As per our attached report of even date

For and on behalf of
B. K. KHARE & CO.
Chartered Accountants

Sd/–
PADMINI KHARE KAICKER
Partner
Membership No. 44784

SCHEDULE 'A' — SHARE CAPITAL

		31/03/2007
	Rs. Million	Rs. Million
Authorised		
450,000,000 equity shares of Rs.10 each	**4,500.00**	4,500.00
	4,500.00	4,500.00
Issued, subscribed and paid–up		
361,542,124 (previous year 361,542,124) equity shares of Rs.10 each fully paid–up *	**3,615.42**	3,615.42
Total	**3,615.42**	3,615.42

* Includes :

i) 22,950,000 equity shares of Rs. 10 each on which Rs. 7.20 per share was paid in cash and were converted into fully paid by capitalisation of Capital Reserve.

ii) 277,000,000 equity shares of Rs. 10 each allotted as fully paid bonus shares by capitalisation of Capital Reserve and General Reserve.

iii) 61,542,124 equity shares of Rs. 10 each issued as fully paid–up to the Shareholders of erstwhile Kochi Refineries Limited as per the Scheme of Amalgamation.

SCHEDULE 'B' — RESERVES AND SURPLUS

		31/03/2007
	Rs. Million	Rs. Million
Capital Reserve		
As per last Balance Sheet	**151.54**	161.80
Add/(Less) : Grant received/(reversed) during the year	**(0.29)**	(9.24)
(Less) : Amortisation of Capital Grant	**(0.94)**	(1.02)
	150.31	151.54
Debenture Redemption Reserve		
As per last Balance Sheet	—	4,450.00
(Less): Transfer to Profit & Loss Account	—	(4,450.00)
	—	—
General Reserve		
As per last Balance Sheet	**98,968.42**	56,337.93
Add : Transfer from Profit & Loss Account	**14,267.83**	42,630.49
(Less): Transitional provision for Employee Benefits	**(233.61)**	—
(refer note 11 of Schedule 'X'–B)		
	113,002.64	98,968.42
Surplus as per Profit & Loss Account	**0.01**	0.01
Total	**113,152.96**	99,119.97

SCHEDULE 'C'— LOAN FUNDS

		31/03/2007
	Rs. Million	Rs. Million
Secured Loans		
Banks		
Working Capital Loans/Cash Credit	**9,301.22**	17,134.32
(Secured in favour of the participating banks ranking pari passu inter–alia by hypothecation of raw materials, finished goods, stock–in–process, book debts, stores, components and spares and all movables both present and future)		
Term Loan (Secured by 7% Oil Companies GOI Special Bonds 2012)	**8,000.00**	—
(Due for repayment within one year Rs.8,000.00 million)		
Collateralised Borrowing and Lending Obligation (CBLO) through Clearing Corporation of India Limited	**10,000.00**	8,660.00
[Secured by Oil Marketing Companies GOI Special Bonds of **Rs.13,987.00 million** (previous year Rs.17,453.90 million)]		
Interest accrued and due	**0.85**	145.27
	27,302.07	25,939.59
Unsecured Loans		
Syndicated Loans from various banks (repayable in foreign currency)	**14,389.92**	13,148.81
[Due for repayment within one year **Rs. Nil** (previous year Rs. **Nil**)]		
Public deposits	**288.02**	626.11
[Due for repayment within one year **Rs.250.93 million** (previous year **Rs.313.98 million**)]		
Short Term (From Banks)		
Rupee Loans	**62,650.00**	36,440.00
Foreign Currency Loans	**39,061.35**	24,456.44
OIDB	**6,532.40**	7,681.40
[Due for repayment within one year **Rs.3,649.00 million** (previous year Rs.1,149.00 million)]		
	122,921.69	82,352.76
Total	**150,223.76**	108,292.35

SCHEDULE— 'D' – FIXED ASSETS

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	AS AT 01–04–2007	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT / RECLASSIFI–CATIONS	**AS AT 31–03–2008**	UPTO 31–03–2007	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT / RECLASSIFI–CATIONS	**UPTO 31–03–2008**	**AS AT 31–03–2008**	AS AT 31–03–2007
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	3,617.38	389.13	115.12	**3,891.39**	—	—	—	—	**3,891.39**	3,617.38
(b) Leasehold	848.19	37.00	(97.19)	**982.38**	133.36	17.55	—	**150.91**	**831.47**	714.83
2. BUILDINGS	32,082.90	4,376.21	42.49	**36,416.62**	3,807.71	687.17	26.52	**4,468.36**	**31,948.26**	28,275.19
3 RAILWAY SIDINGS	2,161.81	54.71	0.02	**2,216.50**	905.17	103.00	—	**1,008.17**	**1,208.33**	1,256.64
4. PLANT and MACHINERY	62,758.16	2,793.79	362.27	**65,189.68**	23,248.38	3,065.71	77.82	**26,236.27**	**38,953.41**	39,509.78
5. TANKS and PIPELINES	33,021.80	6,250.97	418.95	**38,853.82**	14,253.66	2,163.82	58.21	**16,359.27**	**22,494.55**	18,768.14
6. FURNITURE and FITTINGS	1,299.79	214.60	18.04	**1,496.35**	567.08	99.60	16.94	**649.74**	**846.61**	732.71
7. VEHICLES	1,167.25	265.21	25.91	**1,406.55**	664.65	100.03	22.32	**742.36**	**664.19**	502.60
8. OTHER ASSETS										
(a) Dispensing Pumps	10,917.42	1,831.05	13.86	**12,734.61**	2,307.15	541.77	6.37	**2,842.55**	**9,892.06**	8,610.27
(b) LPG Cylinders and Allied Equipment	32,625.86	3,201.67	84.43	**35,743.10**	32,625.86	3,201.67	84.43	**35,743.10**	—	—
(c) Sundries	13,404.95	2,007.59	140.52	**15,272.02**	6,036.01	943.85	174.06	**6,805.80**	**8,466.22**	7,368.94
9. INTANGIBLE ASSETS (refer note 19 of Schedule 'X'–B)	670.26	99.63	(36.34)	**806.23**	216.30	96.14	(3.60)	**316.04**	**490.19**	453.96
TOTAL	194,575.77	21,521.56	1,088.08	**215,009.25**	84,765.33	11,020.31	463.07	**95,322.57**	**119,686.68**	109,810.44
PREVIOUS YEAR	173,768.44	21,495.77	688.44	**194,575.77**	74,594.79	10,608.93	438.39	**84,765.33**	**109,810.44**	99,173.65

NOTES:–

1) Land :–

a) Freehold land includes **Rs. 421.70 million** (previous year Rs. 375.20 million) with more than 99 years lease period.

b) Freehold land includes **Rs. 956.35 million** (previous year Rs. 805.70 million) capitalised at various locations for which conveyance deeds are yet to be executed.

c) Includes the following which though in the possession of Corporation, the lease deeds are yet to be registered :

i) Land acquired on lease for a period exceeding 99 years **Rs. 9.09 million** (previous year Rs. 9.09 million).

ii) Other leasehold land – Gross Block **Rs. 6.00 million** (previous year Rs. 6.00 million), Net Block **Rs. 4.90 million** (previous year Rs. 4.97 million).

d) Freehold land includes **Rs. 21.27 million** (previous year Rs. 21.27 million) which is in the process of being surrendered to competent authority.

e) Freehold land includes **Rs. 42.70 million** (previous year Rs. 42.70 million) in respect of which mutation is pending.

2) Buildings include :–

a) Ownership flats of **Rs. 614.93 million** (previous year Rs. 147.41 million) in proposed / existing co–operative societies.

b) Residential flats and office complex which are in possession of the Corporation and in respect of which the lease deeds are yet to be registered: – Gross Block **Rs. 308.69 million** (previous year Rs. 308.69 million), Net Block **Rs. 291.99 million** (previous year Rs. 296.83 million).

3) Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned in varying extent with other Oil Companies / Railways : – Gross Block **Rs. 1,815.10 million** (previous year Rs. 1,788.30 million), Cumulative Depreciation **Rs. 670.67 million** (previous year Rs. 586.74 million), Net Block **Rs. 1,144.43 million** (previous year Rs. 1,201.56 million).

4) Buildings, Plant & Machinery and Sundries includes **Rs. 128.25 million** (previous year Rs. 128.25 million) towards assets, ownership of which does not vest with the Corporation. This amount is amortised over a period of five years. The amount charged off as depreciation for the current year is **Rs. 9.57 million** (previous year Rs. 9.58 million).

5) Deduction from Gross Block (column 4) includes :–

a) Write back of excess capitalisation of **Rs. 273.04 million** (previous year Rs. 254.53 million).

b) Deletions during the year **Rs. 815.04 million** (previous year Rs. 433.91 million).

6) Depreciation for the year (column 7) includes :–

a) Charged to Profit & Loss account **Rs. 11,001.17 million** (previous year Rs. 9,041.12 million).

b) Charged to Prior Period expenses **Rs. 19.14 million** (previous year Rs. 1,565.78 million).

c) Charged to Capital Work–in–Progress **Rs. Nil million** (previous year Rs. 2.03 million).

7) Deductions from depreciation (column 8) includes withdrawal of depreciation :–

a) On excess capitalisation **Rs. 32.30 million** (previous year Rs. 18.92 million).

b) On deletion during the year **Rs. 430.20 million** (previous year Rs. 389.59 million).

c) On reclassification of assets **Rs. 0.57 million** (previous year Rs. 29.88 million)

8) Gross Block includes **Rs. 95.16 million** (previous year Rs. 213.82 million) towards assets which are identified as held for disposal during the year in respect of which additional depreciation of **Rs. 43.02 million** (previous year Rs. 109.07 million) has been provided to recognise the expected loss on disposal.

SCHEDULE 'E'— CAPITAL WORK–IN–PROGRESS

			Rs. Million	31/03/2007 Rs. Million
Capital work–in–progress (at Cost)				
Work–in–progress			**3,986.81**	6,158.40
Capital Advances (Unsecured, Considered good)			**1,306.38**	527.89
Capital stores including lying with contractors			**1,955.65**	1,398.79
Capital goods in transit			**237.71**	56.52
Intangible assets pending amortisation (refer note 19 of Schedule 'X'–B)			—	1.67
Construction period expenses		31/3/2007		
Opening balance	**380.16**	348.99		
Add : Expenditure during the year				
Establishment charges	**123.63**	94.42		
Interest	**82.32**	171.10		
Depreciation	—	2.03		
Others	**136.79**	186.68		
	722.90	803.22		
Less: Allocated to assets capitalised during the year	**(542.36)**	(423.06)		
Closing balance			**180.54**	380.16
Total			**7,667.09**	8,523.43

SCHEDULE 'F' — INVESTMENTS

	No.	Face Value Rs. Million	Book Value Rs. Million	31/03/2007 Rs. Million
CURRENT				
IN GOVERNMENT SECURITIES				
NON TRADE – QUOTED				
1. 6.96% Oil Marketing Companies GOI Special Bonds 2009 *		**370.00**	**370.00**	370.00
2. 7.00% Oil Marketing Companies GOI Special Bonds 2012 **		**13,083.90**	**13,083.90**	13,083.90
3. 7.47% Oil Marketing Companies GOI Special Bonds 2012		**1,750.00**	**1,750.00**	4,000.00
4. 7.59% Oil Marketing Companies GOI Special Bonds 2015		**23.10**	**23.10**	23.10
5. 7.61% Oil Marketing Companies GOI Special Bonds 2015		**8.10**	**8.10**	8.10
6. 7.75% Oil Marketing Companies GOI Special Bonds 2021		**7,550.00**	**7,550.00**	11,350.00
7. 7.95% Oil Marketing Companies GOI Special Bonds 2025		**25,246.30**	**25,246.30**	—
8. 8.01% Oil Marketing Companies GOI Special Bonds 2023		**5,860.00**	**5,860.00**	9,410.00
9. 8.13% Oil Marketing Companies GOI Special Bonds 2021 *		**4,328.00**	**4,328.00**	8,733.00
10. 8.20% Oil Marketing Companies GOI Special Bonds 2024 *		**1,810.30**	**1,810.30**	10,400.30
11. 8.40% Oil Marketing Companies GOI Special Bonds 2026 *		**7,478.70**	**7,478.70**	9,968.70
12. 8.40% Oil Marketing Companies GOI Special Bonds 2025		**20,789.20**	**20,789.20**	—
			88,297.60	67,347.10
Less : Provision for diminution in value of investment				
in 6.96% Oil Marketing Companies GOI Special Bonds 2009			**(3.87)**	(8.82)
in 7.00% Oil Marketing Companies GOI Special Bonds 2012			**(785.03)**	(510.52)
in 7.47% Oil Marketing Companies GOI Special Bonds 2012			**(5.37)**	(62.28)
in 7.59% Oil Marketing Companies GOI Special Bonds 2015			**(0.32)**	(1.14)
in 7.61% Oil Marketing Companies GOI Special Bonds 2015			**(0.10)**	(0.39)
in 7.75% Oil Marketing Companies GOI Special Bonds 2021			**(264.35)**	(392.19)
in 7.95% Oil Marketing Companies GOI Special Bonds 2025			**(1,552.46)**	—
in 8.01% Oil Marketing Companies GOI Special Bonds 2023			**(322.30)**	(142.92)
in 8.13% Oil Marketing Companies GOI Special Bonds 2021			**(177.72)**	(131.00)
in 8.20% Oil Marketing Companies GOI Special Bonds 2023			**(67.95)**	—
			(3,179.47)	(1,249.26)
			85,118.13	66,097.84

* Kept as Collateral Security with Clearing Corporation of India Limited for borrowing in CBLO
** Rs. 8,000 million pledged with Central Bank of India towards Loan

	No.	Face Value Rs. Million	Book Value Rs. Million	31/03/2007 Rs. Million
LONG TERM				
IN GOVERNMENT SECURITIES				
NON TRADE – QUOTED				
1. Deposited with Local Authorities				
7 % Loan 2009		**0.21**	**0.17**	0.17
7 1/2 % Loan 2010		**0.19**	**0.19**	0.19
8 % Loan 2011		**0.03**	**0.02**	0.02
			0.38	0.38

SCHEDULE 'F' — INVESTMENTS (CONTD.)

	No.	Face Value Rs. Million	Book Value Rs. Million	31/03/2007 Rs. Million
IN SHARES, DEBENTURES AND BONDS				
TRADE – QUOTED				
1. Equity Shares of Rs.10 each (fully paid up) of Petronet LNG Limited	**93,750,000** (93,750,000)	**937.50**	**987.50**	987.50
2. Equity Shares of Rs.10 each (fully paid up) of Indraprastha Gas Limited	**31,500,080** (31,500,080)	**315.00**	**315.00**	315.00
TRADE – UNQUOTED				
1. Equity Shares of Rs. 2.50 each (fully paid up) of Bharat Shell Limited	**—** (98,000,000)	**—**	**—**	245.00
2. Equity Shares of Rs.10 each (fully paid up) of Bharat Oman Refineries Limited	**75,500,000** (75,500,000)	**755.00**	**755.00**	755.00
3. Equity Shares of Rs.10 each (fully paid up) of Petronet India Limited	**16,000,000** (16,000,000)	**160.00**	**160.00**	160.00
4. Equity Shares of Rs.10 each (fully paid up) of Cochin International Airport Limited	**10,500,000** (10,500,000)	**105.00**	**105.00**	105.00
5. Equity Shares of Rs.10 each (fully paid up) of Petronet CCK Limited	**49,000,000** (49,000,000)	**490.00**	**490.00**	490.00
6. Equity Shares of Rs.10 each (fully paid up) of Petronet CI Limited	**1,584,000** (1,584,000)	**15.84**	**15.84**	15.84
7. Equity Shares of Rs.10 each (fully paid up) of VI e Trans Private Limited	**100,000** (100,000)	**1.00**	**1.00**	1.00
8. Equity Shares of Rs.10 each (fully paid up) of Petroleum Infrastructure Limited	**7,500,000** (7,500,000)	**75.00**	**75.00**	75.00
9. Equity Shares of Rs.10 each (fully paid up) of Central UP Gas Limited	**1,350,000** (1,347,500)	**135.00**	**135.00**	134.75
10. Equity Shares of Premier Oil Cachar B.V. Face value of Euro 453.78 each (fully paid up)	**40** (40)	**1.04**	**1.04**	1.04
11. Equity Shares of Rs.10 each (fully paid up) of Sabarmati Gas Limited	**12,500** (12,500)	**0.13**	**0.13**	0.13
12. Equity Shares of Rs.10 each (fully paid up) of Maharashtra Natural Gas Limited	**12,500** (12,500)	**0.13**	**0.13**	0.13
13. Equity Shares of Rs.10 each (fully paid up) of Bharat Stars Services Private Limited	**3,400,000** (0)	**34.00**	**34.00**	—
			3,074.64	3,285.39
Less : Provision for diminution in value of investment				
in Petroleum Infrastructure Limited			**(75.00)**	(75.00)
in Petronet CI Limited			**(15.84)**	(15.84)
in Petronet India Limited			**(160.00)**	(160.00)
in Petronet CCK Limited			**(234.95)**	(234.95)
in VI e Trans Private Limited			**(1.00)**	(1.00)
			(486.79)	(486.79)
			2,587.85	2,798.60

SCHEDULE 'F'— INVESTMENTS (CONTD.)

	No.	Face Value Rs. Million	Book Value Rs. Million	31/03/2007 Rs. Million
NON TRADE – QUOTED				
1. 6.75% Tax Free US64 Bonds of Rs.10 each	**8,874,580** (8,874,580)	**88.75**	**88.75**	88.75
			88.75	88.75
NON TRADE – UNQUOTED				
1. Debentures (Irredeemable – Fully Paid up) – 5 % debentures of East India Clinic Limited	**1** (1)	**0.06**	**0.06**	0.06
2 Ordinary Shares (Fully paid up) of Sindhu Resettlement Corporation Limited	**6** (6)	**0.01**	**0.02**	0.02
3. Shares of Kochi Refineries Employees Consumer Co-operative Society Limited (Fully paid up)	**500** (500)		*	*
			0.08	0.08
IN SUBSIDIARY COMPANIES UNQUOTED				
1. Equity Shares of Rs.10 each (fully paid up) of Numaligarh Refinery Limited	**453,545,998** (463,188,856)	**4,535.46**	**4,535.46**	4,631.89
2. Equity Shares of Rs.10 each (fully paid up) of Bharat PetroResources Limited	**102,552,610** (49,940)	**1,025.53**	**1,025.53**	0.50
			5,560.99	4,632.39
IN ASSOCIATION OF PERSONS NON TRADE – UNQUOTED				
Capital Contribution in Petroleum India International @			100.00	1.00
Share in accumulated surplus of Petroleum India International			123.95	235.20
			223.95	236.20
Member Companies ##				
Bharat Petroleum Corporation Limited				
Bongaigaon Refinery & Petrochemicals Limited				
Engineers India Limited				
Hindustan Petroleum Corporation Limited				
Indian Oil Corporation Limited				
Indian Petrochemicals Corporation Limited				
Chennai Petroleum Corporation Limited				
Oil and Natural Gas Corporation Limited				
Oil India Limited				
Total			**93,580.13**	73,854.24

* Value Rs. 5000

@ Capital Fund has been increased to **Rs. 100 million** from Rs. 1 million by transfer from accumulated surplus by Petroleum India International.

The total capital of AOP is **Rs. 550.00 million** of which share of Bharat Petroleum Corporation Limited and Indian Oil Corporation Limited is Rs. 100 million each and other members have equal share of **Rs. 50 million** each.

Aggregate value of Unquoted Securities **Rs. 7,070.37 million** (Rs. 6,364.77 million).
Aggregate value of Quoted Securities **Rs. 86,509.76 million** (Rs. 67,489.47 million).
Market value of Quoted Securities **Rs. 96,285.54 million** (Rs. 73,692.97 million).

Investment made and sold during the year	No.	Face Value Rs. Million	Cost Rs. Million
7.95% Oil Marketing Companies GOI Special Bonds 2025	14,500	**145.00**	**145.00**

SCHEDULE 'FA' — ADVANCE FOR INVESTMENTS

	Rs. Million	31/03/2007 Rs. Million
SHARE APPLICATION MONEY/ADVANCE TOWARDS EQUITY PENDING ALLOTMENT		
Central UP Gas Limited	—	0.25
Maharashtra Natural Gas Limited	**185.00**	50.00
Bharat PetroResources Limited	—	24.52
Sabarmati Gas Limited	**407.02**	20.00
Bharat Stars Services Private Limited	**10.00**	—
Bharat Oman Refineries Limited *	**9,000.00**	9,000.00
Total	**9,602.02**	9,094.77

* Debenture Application Money as on 31st March 2007 has been converted into Share Application Money during the year.

SCHEDULE 'G' — INVENTORIES

	Rs. Million	31/03/2007 Rs. Million
Stores and spares [including in transit **Rs. 48.85 million** (previous year Rs. 12.95 million)]	**1,447.30**	1,149.10
Raw materials [including in transit **Rs. 17,560.41 million** (previous year Rs. 4,236.61 million)]	**37,578.75**	14,574.71
Stock in process	**5,659.16**	4,790.01
Finished products [including in transit **Rs. 706.56 million** (previous year Rs. 4.49 million)]	**61,267.81**	66,061.92
Packages	**85.34**	36.85
Total	**106,038.36**	86,612.59

SCHEDULE 'H' — SUNDRY DEBTORS

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2007 Rs. Million
Debts outstanding for over six months :		
Considered good *	**2,287.30**	2,494.84
Considered doubtful	**1,836.42**	1,834.15
	4,123.72	4,328.99
Other debts	**13,798.75**	12,692.50
	17,922.47	17,021.49
Less : Provision for doubtful debts	**(1,836.42)**	(1,834.15)
Total	**16,086.05**	15,187.34

* Includes **Rs. 71.62 million** (previous year Rs. 48.77 million) which are secured.

SCHEDULE ‘I’ — CASH AND BANK BALANCES

	Rs. Million	31/03/2007 Rs. Million
Cash on Hand	**3,958.42**	4,088.91
[Includes drafts and cheques on hand of **Rs. 3,776.72 million** (previous year Rs. 3,890.65 million)]		
With Scheduled banks :		
In current accounts	**5,648.30**	4,440.38
In deposit accounts*	**9.19**	9.14
Remittances in transit	**#**	101.25
Total	**9,615.91**	8,639.68

* Includes deposit of

(a) **Rs. 0.04 million** (previous year Rs. 0.04 million) in the joint names with contractors towards Sales tax on works contract.

(b) **Rs. 8.01 million** (previous year Rs. 8.01 million) that have been pledged / deposited with local authorities.

Value Rs. 2,423.76

SCHEDULE 'J' — OTHER CURRENT ASSETS

	Rs. Million	31/03/2007 Rs. Million
Interest accrued on investments	**1,011.74**	1,046.93
Interest accrued on bank deposits	**0.22**	0.53
Oil Marketing Companies GOI Special Bonds Receivable	**39,714.50**	—
(refer note 2 of Schedule 'X'–B)		
Deferred premium (foreign exchange forward contract)	**2,011.20**	2,419.34
Others (refer note 4 of Schedule 'X'–B)	**6,591.02**	6,591.02
Total	**49,328.68**	10,057.82

SCHEDULE 'K' — LOANS AND ADVANCES

(Unsecured, Considered good unless otherwise stated)

		31/03/2007
	Rs. Million	Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less:Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**6,348.86**	6,317.63
Loans:		
To companies		
Considered doubtful	**28.08**	62.37
Less:Provision for doubtful loans	**(28.08)**	(62.37)
To others	**385.92**	308.63
Advances:		
Advances Recoverable in cash, or in kind or for value to be received	**3,378.36**	2,789.41
Advances considered doubtful	**18.40**	16.83
Less : Provision for doubtful advances	**(18.40)**	(16.83)
	10,113.14	9,415.67
Material given on Loan (Secured)	**4.64**	4.64
Less : Deposits Received	**(4.64)**	(4.64)
Dues from Petroleum Planning & Analysis Cell – Government of India	**54.01**	145.89
Due from Subsidiaries	**290.17**	—
Claims :		
Considered good	**2,629.76**	2,997.81
Considered doubtful	**539.01**	578.11
Less : Provision for doubtful claims	**(539.01)**	(578.11)
	2,629.76	2,997.81
Advance Income Tax (Net of provision for taxation)	**1,454.13**	1,619.15
Deposits :		
With Customs/Excise/Port Trust etc.	**852.95**	987.68
Others**	**609.35**	644.95
	1,462.30	1,632.63
Considered doubtful	**0.19**	0.19
Less: Provision for doubtful deposits	**(0.19)**	(0.19)
	1,462.30	1,632.63
Total	**16,003.51**	15,811.15

* Includes :

Dues from Officers : **Rs. 47.92 million** (previous year Rs. 42.07 million)

Maximum balances : **Rs. 59.17 million** (previous year Rs. 51.15 million)

Dues from Directors : **Rs. 0.75 million** (previous year Rs. 0.83 million)

Maximum balances : **Rs. 0.84 million** (previous year Rs. 0.91 million)

** Includes **Rs. 81.72 million** (previous year Rs. 82.68 million) alongwith interest of **Rs. 83.96 million** (previous year Rs. 83.96 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES

	Rs. Million	31/03/2007 Rs. Million
Current Liabilities :		
Sundry creditors		
Total outstanding dues of micro and small enterprises (refer note 9 of Schedule 'X'–B)	**3.41**	—
Total outstanding dues of creditors other than micro and small enterprises #	**86,510.10**	59,587.07
Due to Subsidiaries	**4,617.47**	1,633.29
Materials taken on loan	**0.05**	0.04
Less : Deposits given	**(0.05)**	(0.04)
Deposits from Customers	**98.92**	84.94
Deposits for Containers	**31,064.79**	28,744.26
Advance received towards sale of investments	**—**	377.13
Unclaimed Dividend *	**31.78**	33.05
Unclaimed Deposits *	**5.84**	9.10
Unclaimed Interest on Deposits *	**1.18**	1.67
Other liabilities	**12,814.27**	11,349.61
Interest on loans (accrued but not due)	**793.38**	186.02
Total	**135,941.14**	102,006.14

The figure as on 31st March 2007 includes Rs. 222.02 million due to Small Scale Industries (SSI's)
* No amount is due at the end of the year for credit to Investors Education and Protection Fund.

SCHEDULE 'M' — PROVISIONS

	Rs. Million	31/03/2007 Rs. Million
Provision for Taxation (Net of Tax paid)	**3,299.37**	2,688.81
Proposed dividend	**1,446.17**	3,615.42
Corporate Dividend Tax on proposed dividend	**91.61**	614.44
Provision for employee / retirement benefits	**5,024.33**	3,812.95
Total	**9,861.48**	10,731.62

SCHEDULE 'N' — SALE OF PRODUCTS

	Rs. Million	2006–07 Rs. Million
Sales	**1,125,401.31**	1,016,750.34
Subsidy on LPG (Domestic) & SKO (PDS)	**5,544.38**	5,293.36
Oil Marketing Companies GOI Special Bonds (refer note 2 of Schedule 'X'–B)	**85,895.00**	52,479.00
Total	**1,216,840.69**	**1,074,522.70**

SCHEDULE 'O' — MISCELLANEOUS INCOME

	Rs. Million	2006–07 Rs. Million
Interest on bank deposits and others *	**480.24**	722.42
Tax deducted at source – **Rs. 69.23 million** (previous year Rs. 56.64 million)		
Income from Investments		
Current		
Interest on Oil Marketing Companies GOI Special Bonds	**4,546.76**	2,873.04
Dividend	—	4.07
Long Term		
Interest	**6.60**	16.83
Dividend		
from subsidiaries	**1,133.86**	880.06
from others	**218.18**	84.00
Income from AOP (Petroleum India International)	**13.25**	36.58
Profit on sale of Long term Investments (refer note 3 of Schedule 'X'–B)	**1,559.70**	—
Write back (net)	**0.01**	6.36
Reversal of provision for doubtful debts and advances	**17.05**	—
Foreign Exchange fluctuations (net)	**2,547.40**	192.69
Other income #	**3,431.16**	2,708.83
Tax deducted at source – **Rs. 45.37 million** (previous year Rs. 40.97 million)		
Total	**13,954.21**	7,524.88

* Includes interest received from Income tax authorities **Rs. Nil** (previous year Rs. 280.47 million).

Includes amortisation of capital grants **Rs. 0.94 million** (previous year Rs. 1.02 million).

SCHEDULE 'P' — INCREASE/(DECREASE) IN INVENTORY

		31/03/2007	Rs. Million	2006–07 Rs. Million
Value of closing stock of				
Finished goods	**61,267.81**	66,061.92		
Stock in process	**5,659.16**	4,790.01	**66,926.97**	70,851.93
			66,926.97	70,851.93
Less :				
Value of opening stock of				
Finished goods	**66,061.92**	64,163.25		
Stock in process	**4,790.01**	4,634.23	**70,851.93**	68,797.48
Total			**(3,924.96)**	2,054.45

SCHEDULE 'Q' — RAW MATERIALS CONSUMED

	Rs. Million	2006–07 Rs. Million
Opening Stock	**14,574.71**	20,116.55
Add : Purchases	**512,223.30**	416,491.52
Less: Closing Stock	**(37,578.75)**	(14,574.71)
Total	**489,219.26**	422,033.36

SCHEDULE 'R' — CONSUMPTION OF STORES, SPARES AND MATERIALS

	Rs. Million	2006–07 Rs. Million
Stores, spares and materials	**1,434.33**	1,768.61
Less : Charged to other revenue accounts	**(731.99)**	(1,032.60)
Total	**702.34**	736.01

SCHEDULE 'S' — POWER AND FUEL

	Rs. Million	2006–07 Rs. Million
Power and Fuel	**24,380.86**	20,750.72
Less: Consumption of fuel out of own production	**(23,763.32)**	(20,084.28)
Total	**617.54**	666.44

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS

	Rs. Million	2006–07 Rs. Million
Salaries and wages (refer note 7 of Schedule 'X'–B)	**10,124.44**	7,560.96
Contribution to provident fund *	**603.16**	533.42
Contribution to gratuity fund	**96.73**	135.44
Contribution to other funds	**109.71**	359.09
Welfare expenses	**2,038.04**	1,448.08
Total	**12,972.08**	10,036.99

* Amount of deficiency in the interest rate declared by the trust vis–à–vis statutory rate made good by the employer **Rs.Nil** (previous year Rs.5.11 million.)

SCHEDULE 'U' — INTEREST

	Rs. Million	2006–07 Rs. Million
On Bonds	**—**	73.91
On Fixed Loans	**1,630.46**	1,366.78
Others	**5,094.26**	3,885.97
Total	**6,724.72**	5,326.66

SCHEDULE 'V' — OTHER OPERATING AND ADMINISTRATION EXPENSES

	Rs. Million	2006–07 Rs. Million
Repairs and maintenance :		
Machinery	**2,295.37**	2,434.32
Building	**249.43**	202.08
Others	**931.08**	869.64
	3,475.88	3,506.04
Insurance	**262.13**	270.76
Rent	**1,392.18**	1,461.95
Rates and taxes	**348.15**	373.92
Charities and donations	**—**	15.70
Remuneration to auditors	**2.31**	2.72
Utilities	**1,040.37**	845.19
Write off :		
Bad debts and Claims	**54.31**	0.47
Less : Provision made earlier	**(52.49)**	—
Others	**43.50**	157.39
Less : Provision made earlier	**—**	(51.56)
Provision for :		
Doubtful debts and advances	**—**	547.22
Diminution in value of investments	**1,930.21**	1,385.09
Charges paid to other oil companies	**627.34**	571.00
Travelling and conveyance	**1,180.81**	935.53
Telephone, Telex, Cables, Postage etc.	**246.80**	246.13
Loss on sale of current Investments	**1,080.60**	421.69
Loss on sale / write off of fixed assets (net)	**10.11**	9.20
Brokerage on Public Deposit	**0.01**	0.16
Other expenses	**6,489.03**	4,288.63
Total	**18,131.25**	14,987.23

SCHEDULE 'W' — PRIOR PERIOD INCOME/(EXPENSES) (NET)

	Rs. Million	2006–07 Rs. Million
Sale of products	**446.03**	144.54
Miscellaneous Income	**25.42**	(6.58)
Purchase of product for resale	**1,052.92**	69.49
Raw Materials Consumed	**15.75**	65.89
Duties taxes etc. and other product charges	**(169.02)**	(5.97)
Transportation	**56.81**	39.42
Consumption of stores spares and materials	**—**	(11.41)
Rent, Rates & Taxes	**56.00**	(16.93)
Employees' remuneration and other benefits	**(82.90)**	—
Other operating and administration expenses	**3.91**	37.85
Interest	**(145.78)**	(2.36)
Depreciation	**(5.39)**	(1,516.98)
Total	**1,253.75**	(1,203.04)

SCHEDULE 'X'— STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS FOR PREPARATION

The financial statements are prepared under historical cost convention to comply in all material aspects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, adopting accrual system of accounting unless otherwise stated.

2. USE OF ESTIMATES

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual amounts and estimates are recognised in the period in which they materialise.

3. FIXED ASSETS

3.1. LAND

Land acquired on lease where period of lease exceeds 99 years is treated as freehold.

3.2. FIXED ASSETS OTHER THAN LAND

3.2.1. Fixed Assets are stated at cost of acquisition (including incidental expenses) less accumulated depreciation.

3.2.2. Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding Rs.1,000 per item is charged to revenue.

3.2.3. Machinery spares that are specific to a fixed asset are capitalised along with the fixed asset. Replacement of such spares is charged to revenue.

3.3. EXPENDITURE DURING CONSTRUCTION PERIOD

Direct expenses including borrowing cost incurred during construction period on capital projects are capitalised. Indirect expenses of the project group which are allocated to projects costing Rs.50 million and above are also capitalised. Crop compensation expenses incurred in the process of laying pipelines are capitalised.

3.4. INTANGIBLE ASSETS

3.4.1. Cost of right of way that is perennial in nature is not amortised.

3.4.2. Expenditure incurred for creating/acquiring other intangible assets of Rs.5 million and above, from which future economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit.

3.4.3. In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

4. IMPAIRMENT OF ASSETS

The values of fixed assets in respect of Cash Generating Units are reviewed by the management for impairment at each Balance Sheet date if events or circumstances indicate that the carrying values may not be recoverable. If the carrying value is more than the net selling price of the asset or present value, the difference is recognized as an impairment loss.

5. BORROWING COSTS

Borrowing costs attributable to acquisition, construction or production of qualifying asset are capitalised as part of the cost of that asset, till the month in which the asset is ready for use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

6. DEPRECIATION

6.1. Depreciation on fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956, except in following cases:

6.1.1 Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.

6.1.2 LPG cylinders, pressure regulators and other fixed assets costing not more than Rs. 5,000 each are depreciated @ 100 percent in the year of capitalisation.

6.1.3 Assets not owned by the Corporation are amortised over a period of five years from the year of capitalisation.

6.1.4 Computer equipments and peripherals, and mobile phones are depreciated over a period of 4 years. Furniture provided at the residence of management staff is depreciated over a period of seven years.

6.2. Depreciation is charged on addition / deletion on pro–rata monthly basis including the month of addition / deletion.

7. INVESTMENTS

7.1. Current investments are valued at lower of cost or fair market value.

7.2. Long–term investments are valued at cost. Provision for diminution is made to recognise a decline, other than of temporary nature, in the value of such investments.

8. INVENTORY

8.1. Raw material and Intermediates are valued at cost or net realisable value, whichever is lower. Cost is determined as follows:

8.1.1. Raw materials on weighted average cost.

8.1.2. Intermediate Stocks at raw material cost plus cost of conversion.

8.2. Finished products are valued at weighted average cost or at net realisable value, whichever is lower.

8.3. Stores are valued at weighted average cost. Obsolete stores are valued at Re. Nil. Slow moving stores/ other materials identified as surplus and no longer usable are valued at Re. Nil.

8.4. Packages are valued at weighted average cost or at net realisable value, whichever is lower.

9. REVENUE RECOGNITION

9.1. Sales are net of trade discounts and include, inter alia, excise / customs duties / claim from Petroleum Planning and Analysis Cell, Government of India and other elements allowed by the Government from time to time.

9.2. Claims/Surrenders including subsidy on LPG and SKO on/to Petroleum Planning and Analysis Cell, Government of India are booked on `in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments after necessary audit, as stipulated. Adjustments if any, on completion of audit are recognised.

9.3. Other claims are booked when there is a reasonable certainty of recovery. Claims are reviewed on a periodical basis and if recovery is uncertain, provision is made in the accounts.

9.4. Income from sale of scrap is accounted for on realisation.

10. CLASSIFICATION OF INCOME/EXPENSES

10.1. Expenditure on Research, other than capital expenditure, is charged to revenue in the year in which the expenditure is incurred.

10.2. Income/expenditure upto Rs. 0.50 million in each case pertaining to prior years is charged to the current year.

10.3. Prepaid expenses upto Rs. 0.01 million in each case, are charged to revenue as and when incurred.

10.4. Deposits placed with Government agencies/ local authorities which are perennial in nature are charged to revenue in the year of payment.

11. EMPLOYEE BENEFITS

11.1. Contributions to Provident Fund for the year are recognised in the Profit & Loss Account.

11.2. The liability towards gratuity, leave encashment, post retirement benefits and other long term benefits are provided for in the accounts based on actuarial valuation as at the end of the year. To determine the present value of the defined benefit obligations and the current and past service costs, the Projected Unit Credit Method is used. Actuarial gains and losses are recognised in the Profit and Loss Account as income or expense.

12. DUTIES ON BONDED STOCKS

12.1. Customs duty on Raw materials/Finished goods lying in bond are provided for at the applicable rates except where liability to pay duty is transferred to consignee.

12.2. Excise duty on finished stocks lying in bond is provided for, at the assessable value applicable at each of the locations at maximum rates based on end use.

13. FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

13.1. Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction.

13.2. Monetary items denominated in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet.

13.3. Foreign Exchange differences arising at the time of translation or settlement are recognised as income or expense in the Profit & Loss Account either under foreign exchange fluctuation or interest as the case may be.

Premium/discount arising at the inception of the forward exchange contracts entered into to hedge foreign currency risks are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Profit & Loss account.

13.4. Gains / losses arising on settlement of Derivative transactions entered into by the Corporation to manage the commodity price risk and exposures on account of fluctuations in interest rates and foreign exchange are recognised in the profit and loss account. Provision for losses in respect of outstanding contracts as on balance sheet date is made based on mark to market valuations of such contracts.

14. GOVERNMENT GRANTS

14.1. In case of depreciable assets, the cost of the asset is shown at gross value and grant thereon is taken to Capital Reserve as deferred income, which is recognised in the Profit and Loss Account over the useful life of the asset.

14.2. Government grants of the nature of promoters' contributions are credited to Capital Reserve and treated as part of Shareholders' Funds.

15. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

15.1. Provision is recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

15.2. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non–occurrence of one or more uncertain future events not wholly within the control of the Corporation.

15.3. Capital commitments and Contingent liabilities disclosed are in respect of items which exceed Rs.0.10 million in each case.

15.4. Contingent liabilities are considered only on conversion of show cause notices issued by various Government authorities into demand.

16. TAXES ON INCOME

16.1. Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.

16.2. Deferred tax on account of timing difference between taxable and accounting income is provided using the tax rates and tax laws enacted or substantively enacted by the Balance Sheet date.

16.3. Deferred tax assets are not recognised unless, in the management judgement there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

17. OIL & GAS EXPLORATION ACTIVITIES

17.1. The Corporation follows "Successful Efforts Method" of accounting for Oil & Gas exploration and production activities and accordingly survey costs are expensed in the year of incurrence.

17.2. The Corporation's proportionate share in the assets, liabilities, income and expenditure of joint venture operations are accounted as per the participating interest in such joint venture operations.

B. NOTES FORMING PART OF ACCOUNTS

1) In respect of sharing of under–recoveries on sensitive petroleum products viz. MS, HSD, LPG (Domestic) and SKO (PDS), as advised by the Ministry of Petroleum & Natural Gas, a part of the under–recovery suffered by the Oil Marketing Companies during the year was compensated by ONGC and GAIL by offering discount on price of Crude Oil, SKO and LPG purchased from them. Accordingly, the Corporation has accounted the discount as follows:

a) **Rs. 52,430.26 million** (previous year Rs.37,137.43 million) discount on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) **Rs.7,320.94 million** (previous year Rs.7,484.62 million) discounts on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

2) In lieu of the under–recoveries on sale of sensitive petroleum products during 2007–08, based on the approval of Government of India, the Corporation has accounted for Oil Marketing Companies Government of India Special Bonds amounting to **Rs. 85,895.00 million** (previous year Rs.52,479.00 million) as income. This compensation has been received in the form of Oil Marketing Companies Government of India Special Bonds amounting to **Rs.46,180.50 million** (Previous year Rs. 52,479.00 million) and accounted for as investments. The balance amount of **Rs. 39,714.50 million** (Previous year Rs.Nil) which is receivable as on 31st March 2008 from Government of India is shown as other Current asset in Schedule J.

3) Miscellaneous income includes profit on sale of long term investments as follows :

	Rs. Million
Stake sale of 49% share in Bharat Shell Limited, a Joint Venture Company	1,279.00
Sale of 1.31% share in Numaligarh Refinery Limited, a Subsidiary Company	280.70
Total Profit on sale of Long term investments	1,559.70

4) As per the scheme of Amalgamation of the erstwhile Kochi Refineries Limited with the Corporation approved by the Government of India, 33,728,738 equity shares of the Corporation were allotted (in lieu of the shares held by the Corporation in the erstwhile Kochi Refineries Limited) to a trust for the benefit of the Corporation in the financial year 2006–07. Accordingly the cost of the original investment of Rs.6,591.02 million is reflected as 'Others' in Schedule 'J ' – Other Current Assets. The income distributed by the trust during the year 2007–08 amounting to **Rs.337.29 million** (previous year Rs. 286.69 million) has been included in 'Other income' in Schedule 'O' – Miscellaneous Income.

One shareholder of erstwhile KRL has challenged the amalgamation before Delhi High Court, which is pending adjudication.

5) Provision for taxation in the Profit and Loss Account includes **Rs.9.00 million** (previous year Rs. 6.50 million) towards wealth tax.

6) The Corporation has numerous transactions with other oil companies, which are reconciled on an ongoing basis and subject to confirmation. Adjustments, if any, arising therefrom are not likely to be material on settlement.

7) Provision has been made in respect of pay revision due to Management staff w.e.f. 1st January 2007 at an estimated amount of Rs.1,290.00 million based on the available information and judgement. This is inclusive of adhoc amount of Rs.434.58 million paid to the Management staff for the period January 2007 to March 2008. Further an amount of Rs.411.90 million is also provided towards accumulated leave encashment benefit based on actuarial valuation considering the impact of pay revision.

8) Provision has not been made in the accounts towards revision in salary of workmen at Mumbai Refinery w.e.f. 1st January 2007 as the additional liability arising from such revision is unascertainable.

9) To the extent, the Corporation has received intimation from the "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, the details are provided as under for the year 2007–08:

		Rs. Million
(i)	Principal amount remaining unpaid as on 31st March	3.41
(ii)	Interest due thereon remaining unpaid as on 31st March	—
(iii)	Interest paid by the Corporation in terms of section 16 of the Micro, Small And Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year	—
(iv)	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small And Medium Enterprises Development Act, 2006	—
(v)	Interest accrued and remaining unpaid as at 31st March	—
(vi)	Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	—

10) Impairment of Assets

Determination as to whether and how much an asset is impaired involve Management estimates of highly uncertain matters such as international prices of crude oil and products, duty structure and Government policies. It is assumed that suitable mechanism would be in place, in line with earlier/ current year(s), to provide compensation towards under-recoveries of margin, if any, on account of sale of sensitive petroleum products in subsequent years. Hence, future cash flows have been worked out based on the desired margins for deciding on impairment of related Cash Generating Units. No impairment is therefore considered as at 31st March 2008. In view of the peculiar nature of the environment in which the industry operates and the assumptions being technical and dependent on Government policies, the auditors have relied on the same.

11) The total impact of implementation of Accounting Standard 15 – "Employee Benefits" is Rs.369.50 million out of which Rs.15.60 million has been accounted in the current year. The balance of Rs. 353.90 million is on account of transitional provisions. After adjusting deferred tax asset of Rs.120.29 million relating to this provision, the net impact of Rs.233.61 million has been adjusted against opening balance of General Reserve.

12) Disclosure as per requirements of Accounting Standard 15 – "Employee Benefits" :

Gratuity: The Company has a defined benefit gratuity plan managed by a trust. The contribution based upon actuarial valuation is paid to a trust which is invested as per investment pattern prescribed by the Government in plan assets. Gratuity is paid to the Staff member who has put in a minimum qualifying period of 5 years of continuous service on superannuation, resignation, termination or to his nominee on death.

Leave Encashment: The Employees are entitled to accumulate Earned Leave and Sick Leave, which can be availed during the service period. Employees are also allowed to encash the accumulated earned leave during the service period. Further, the accumulated earned leave and sick leave can be encashed by the employees on superannuation, resignation, and termination or by nominee on death.

Other Defined Benefits: These are (a) Post Retirement Medical Scheme paid benefit to employees, spouse, dependent children and dependent parents. (b) Pension/ex–gratia scheme to the retired employees of Burmah Shell who are entitled to receive the monthly pension for life; (c) Death in service / Permanent disablement given to employee, the spouse of the employee, provided the deceased family/disabled employee deposits retirement dues such as PF, Gratuity, Leave encashment dues payable to them with the Corporation; and (d) Resettlement allowance paid to employees to permanently settle down at a place other than the location of last posting at the time of retirement.

Disclosures as per requirements of Accounting Standard 15 (Revised) continued :

a) Reconciliation of balances of Defined Benefit Obligations.

Rs. Million

	Gratuity Funded	Leave Encashment Non Funded	Post Retirement Medical Non Funded	Burmah Shell Pension Non Funded	Death / Permanent Disablement Non Funded	Re–settlement Allowance Non Funded
Defined Obligations at the beginning of the year	2,171.20	1,964.00	1,109.80	557.30	87.90	47.90
Interest Cost	180.00	160.00	100.00	40.00	10.00	4.30
Current Service Cost	130.50	117.10	93.06	—	—	5.30
Benefits paid	(74.50)	(268.50)	(98.56)	(30.63)	(25.80)	(0.10)
Actuarial (Gains)/ Losses on obligations	(51.77)	835.30	(18.80)	44.13	17.40	(9.73)
Defined Obligations at the end of the year	2,355.43	2,807.90	1,185.50	610.80	89.50	47.67

b) Reconciliation of balances of Fair Value of Plan Assets in respect of Gratuity Fund

	Rs. Million	
Fair Value at the beginning of the year	2,171.20	
Actual Return on Plan assets	162.00	(Expected Return – Rs.178.50 million less Actuarial losses – Rs.16.50 million)
Contribution by employer	96.73	
Benefits paid	(74.50)	
Fair Value of Plan Assets at the end of the year	2,355.43	

	Gratuity Funded	Leave Encashment Non Funded	Post Retirement Medical Non Funded	Burmah Shell Pension Non Funded	Death / Permanent Disablement Non Funded	Re–settlement Allowance Non Funded
c) Amount recognised in Balance sheet (a–b)	—	2,807.90	1,185.50	610.80	89.50	47.67
d) Amount recognised in P & L Account						
Current Service Cost	130.50	117.10	93.06	—	—	5.30
Interest Cost	180.00	160.00	100.00	40.00	10.00	4.30
Expected Return on Plan Asssets	(178.50)					
Actuarial (Gains)/ Losses	(35.27)	835.30	(18.80)	44.13	17.40	(9.73)
Expenses for the period	96.73	1,112.40	174.26	84.13	27.40	(0.13)
e) Major Actuarial Assumptions						
Discount Rate	8%	8%	8%	8%	8%	8%
Salary Escalation / Inflation	4%	4%	4%	0%	0%	0%
Expected Return on Plan assets	8%	—	—	—	—	—

i) The estimates for future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.

ii) The expected return on plan assets is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligation.

f) **Details of Investment pattern for Gratuity Fund as on 31/03/08**

Category of Asset	%
Government of India Asset	27.50
Corporate Bonds	41.13
Special deposit Scheme	7.93
State Government	16.36
Others	7.08
Total	100.00

g) As per our best estimate, **Rs.69.40** Million is expected to be paid to the Gratuity Fund as contribution in the year 2008–09.

h) **Effect of Increase/ Decrease of 1% in assumed medical cost trend to the Post Retirement medical liability :**

	Rs. Million		Rs. Million
Change in Liability for : 1% increase in Discount Rate	(103.70)	1% decrease in Discount rate	114.30
Change in Service Cost for : 1% increase in Discount Rate	(7.60)	1% decrease in Discount rate	9.20

13) In compliance with Accounting Standard – 17, "Segment Reporting" issued by the Institute of Chartered Accountants of India, the segment information is as under:

I The Corporation is engaged in the following business segments:

a) Downstream petroleum i.e. Refining and Marketing of Petroleum Products

b) Exploration and Production of Hydrocarbons

Segments have been identified taking into account the nature of activities and the nature of risks and returns.

II There are no geographical segments.

III Segment–wise details are as follows:

(Rs. Million)

	Year ended 31st March 2008			Year ended 31st March 2007		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Revenue						
External Revenue #	**1,111,463.16**	**—**	**1,111,463.16**	978,510.09	—	978,510.09
Inter Segment Revenue	—	—	—	—	—	–
Total Revenue	**1,111,463.16**	**—**	**1,111,463.16**	978,510.09	—	978,510.09
Result						
Segment Results	**28,080.61**	**(330.80)***	**27,749.81**	30,587.99	(395.11)	30,192.88
Unallocated Corporate Expenses	—	—	—	—	—	—
Operating profit	**28,080.61**	**(330.80)**	**27,749.81**	30,587.99	(395.11)	30,192.88
Add:						
Interest / Dividend Income			**6,398.89**			4,617.00
Profit on sale of Long term Investments			**1,559.70**			—
Less:						
Interest Expenditure			**6,724.72**			5,326.66
Loss on sale of current Investments			**1,080.60**			421.69
Diminution in value of Investments			**1,930.21**			1,385.09
Income Tax (including deferred Tax)			**10,167.26**			9,621.69
Profit after Tax			**15,805.61**			18,054.75
Segment Assets	**276,666.63**	**—**	**276,666.63**	246,431.56	0.72	246,432.28
Unallocated Corporate Assets			**150,941.80**			91,159.18
Total Assets			**427,608.43**			337,591.46
Segment Laibilities	**135,767.47**	**173.67**	**135,941.14**	102,006.14	—	102,006.14
Unallocated Corporate Liabilities			**174,898.89**			132,849.91
Total Liabilities			**310,840.03**			234,856.05
Capital Expenditure	**20,665.22**	**—**	**20,665.22**	18,338.12	—	18,338.12
Depreciation/ Amortisation	**10,982.06**	**—**	**10,982.06**	9,041.12	—	9,041.12
Non-cash expenses other than depreciation			—			—

\# Segment Revenue comprises of Turnover (net of excise duties), Subsidy received from the Government of India and other income (excluding dividend, interest income and investment income).

* Represents the following:

		Rs. Million
a)	Expenditure on dry well charged off.	(873.91)
b)	E&P Expenditure upto 31.03.2007 received from Bharat PetroResources Limited	543.11
c)	Net (loss) under E&P segment (a–b)	(330.80)

14) Related Party Disclosures as per Accounting Standard 18

Names of the Related parties : Indraprastha Gas Limited,
Petronet India Limited,
Bharat Shell Limited,
Petronet CCK Limited,
Petronet CI Limited,
Petronet LNG Limited,
Bharat Oman Refineries Limited,
VI e Trans Private Limited,
Petroleum Infrastructure Limited,
Petroleum India International,
Maharashtra Natural Gas Limited,
Central UP Gas Limited,
Sabarmati Gas Limited,
Bharat Stars Services Private Limited,
Premier Oil Cachar B.V.

Key Management Personnel : M/s. Ashok Sinha (Chairman & Managing Director),
S. A. Narayan (Director HR),
S. Radhakrishnan (Director Marketing),
S. K. Joshi (Director Finance),
R. K. Singh (Director Refineries)

Nature of Transactions

Rs. Million

		2007–08	2006–07
a.	Purchase of goods	**12,145.08**	9,525.40
b.	Sale of goods	**354.34**	4.92
c.	Sale of Fixed assets	**331.32**	—
d.	Rendering of Services	**25.01**	7.64
e.	Receiving of Services	**410.75**	359.84
f.	Interest Income	**71.39**	131.58
g.	Dividend Received	**211.69**	84.00
h.	Equity contribution	**566.02**	139.30
i.	Advance for Investments	**—**	9,000.00
j.	Loans and advances	**546.00**	318.20
k.	Outstandings as on 31.3.2008		
	– Receivables	**1113.25**	531.44
	– Payables	**585.02**	44.05
l.	Management Contracts (Employees on deputation to JVC)	**99.60**	58.39
m.	Lease Rentals	**2.41**	2.19

Key Management Personnel (Whole time directors)

Details of remuneration to directors are given in note 23 of Notes to Accounts.

15) Earnings per share

		2007–08	2006–07
Profit after Tax	Rs. Million	**15,805.61**	18,054.75
Weighted average number of shares outstanding during the year	Million nos.	**361.54**	361.54
Basic earnings per share	Rs.	**43.72**	49.94
Diluted earnings per share	Rs.	**43.72**	49.94

16) **Deferred Tax Liability**

As per the requirement of the Accounting Standard 22 – "Accounting for Taxes on Income" the net deferred tax liability debited to Profit during the year is **Rs.1,108.00 million** (previous year Rs.267.53 million). The year end position of Deferred Tax Liability and Asset is given below:

(Rs. Million)

	31–03–2008	31–03–2007
DEFERRED TAX LIABILITY		
Depreciation	**17,849.00**	16,765.46
Other Timing differences	**3.44**	42.09
Total	**17,852.44**	16,807.55
DEFERRED TAX ASSET		
Disallowance u/s 43B of the Income tax Act, 1961	**1,635.77**	1,488.25
Provisions for doubtful debts, claims, employee benefits, etc.	**1,374.93**	1,437.35
Expenditure on Voluntary Retirement Scheme	**28.09**	56.01
Total	**3,038.79**	2,981.61
Net Deferred Tax Liability	**14,813.65**	13,825.94

17) In compliance with AS – 27 'Financial Reporting of Interests in Joint Ventures', the required information is as under:

a) **Jointly controlled operations:** The participating interest of all the continuing Oil and Gas blocks have been assigned to Bharat PetroResources Limited, a 100% subsidiary of the Corporation. The Corporation does not hold any participating interest as on 31.03.2008.

b) **Jointly controlled entities**

	Country of Incorporation	**Percentage of ownership interest as on 31/03/2008**	Percentage of ownership interest as on 31/03/2007
Indraprastha Gas Limited	India	**22.50**	22.50
Petronet India Limited	India	**16.00**	16.00
Bharat Shell Limited	India	—	49.00
Petronet CCK Limited	India	**49.00**	49.00
Petronet CI Limited (#)	India	**11.00**	11.00
Petronet LNG Limited	India	**12.50**	12.50
Bharat Oman Refineries Limited	India	**50.00**	50.00
Petroleum Infrastructure Limited (#)	India	**50.00**	50.00
VI e Trans Private Limited	India	**33.33**	33.33
Central UP Gas Limited	India	**22.50**	22.50
Maharashtra Natural Gas Limited	India	**22.50**	22.50
Sabarmati Gas Limited	India	**25.00**	25.00
Bharat Stars Services Private Limited	India	**50.00**	—
Premier Oil Cachar B.V.	Netherlands	**50.00**	50.00

Company under liquidation

c) In respect of jointly controlled entities, the Corporation's share of assets, liabilities, income, expenditure, contingent liabilities and capital commitments compiled on the basis of unaudited/audited financial statements received from these joint ventures are as follows:

		31.03.2008	(Rs. Million) 31.03.2007
(i)	Assets		
	– Long Term Assets	**19,709.01**	8,230.24
	– Investments	**1,440.38**	996.74
	– Current Assets	**3,162.58**	5,617.95
(ii)	Liabilities		
	– Loans (Secured & Unsecured)	**10,970.32**	8,445.20
	– Current Liabilities and Provisions	**3,275.41**	1,526.23
	– Deferred Tax	**397.95**	362.46
(iii)	Income	**10,383.22**	10,748.71
(iv)	Expenses	**9,401.14**	10,045.99
(v)	Contingent Liabilities	**584.72**	435.29
(vi)	Capital Commitments	**30,779.61**	19,481.46

18) Disclosure as required by Clause 32 of Listing Agreement

	Balance as on		**Rs. Million Maximum amount outstanding during the year**	
	31.03.2008	31.03.2007	**2007–08**	2006–07
a) Loans and advances in the nature of loans to subsidiary company	—	—	—	—
b) Loans and advances in the nature of loans to associates	—	—	—	—
c) Loans and advances in the nature of loans where there is				
i) No repayment schedule or repayment beyond seven years				
– Petronet CCK Limited	**348.70**	227.70	**348.70**	227.70
ii) No interest or interest below section 372A of Companies Act	—	—	—	—
d) Loans and advances in the nature of loans to firms/ companies in which directors are interested				
– Bharat Oman Refineries Limited	**658.20**	233.20	**658.20**	2,972.95
– VI eTrans Private Limited	—	21.00	**21.00**	21.00
e) Investment by the loanee in the shares of BPCL and its subsidiary company	—	—	—	—

19) INTANGIBLE ASSETS

In accordance with Accounting Standard 26, details of Intangible Assets recognised and amortised during the year are given below:

a) Intangible Assets being amortised

Rs. Million

PARTICULARS	**USEFUL LIFE**	**GROSS AMOUNT**				**AMORTISATION**				**NET AMOUNT**	
	(NO. OF MONTHS)	AS AT 01–04–2007	ADDITIONS	DELETIONS/ RECLASSI–FICATION	**AS AT 31–03–2008**	UPTO 31–03–2007	THIS YEAR	DELETIONS/ RECLASSI–FICATION	**UPTO 31–03–2008**	**AS AT 31–03–2008**	AS AT 31–03–2007
(1)	(2)	(3)	(4)	(5)	**(6)**	(7)	(8)	(9)	**(10)**	**(11)**	(12)
1. RIGHT OF WAY	Perennial	182.19	6.08	1.93	**186.34**	—	—	—	—	**186.34**	182.19
2. SOFTWARE	36	111.87	6.70	—	**118.57**	111.87	1.12	—	**112.99**	**5.58**	—
3. SOFTWARE	60	48.34	80.37	—	**128.71**	19.34	11.01	—	**30.35**	**98.36**	29.00
4. DEVELOPMENT RIGHTS	60	14.97	—	—	**14.97**	6.73	2.99	—	**9.72**	**5.25**	8.24
5. PROCESS LICENSE	60	312.89	6.48	(38.27)	**357.64**	78.36	81.02	(3.60)	**162.98**	**194.66**	234.53
TOTAL		**670.26**	**99.63**	**(36.34)**	**806.23**	**216.30**	**96.14**	**(3.60)**	**316.04**	**490.19**	**453.96**
PREVIOUS YEAR		411.45	258.81	—	**670.26**	136.82	79.48	—	**216.30**	**453.96**	274.63

b) Intangible Assets pending amortisation*

Rs. Million

PARTICULARS	**USEFUL LIFE**	**GROSS AMOUNT**				**AMORTISATION**				**NET AMOUNT**	
	(NO. OF MONTHS)	AS AT 01–04–2007	ADDITIONS	CAPITALI-SATION	**AS AT 31–03–2008**	UPTO 31–03–2007	THIS YEAR	DELETIONS/ RECLASSI–FICATION	**UPTO 31–03–2008**	**AS AT 31–03–2008**	AS AT 31–03–2007
(1)	(2)	(3)	(4)	(5)	**(6)**	(7)	(8)	(9)	**(10)**	**(11)**	(12)
1. SOFTWARE		1.67	—	1.67	—	—	—	—	—	—	1.67
TOTAL		**1.67**	—	**1.67**	—	—	—	—	—	—	**1.67**
PREVIOUS YEAR		43.23	1.67	43.23	**1.67**	—	—	—	—	**1.67**	43.23

* To be amortised from the time the Intangible Asset starts providing economic benefits

Note: There are no internally generated Intangible Assets

20. Capital Commitments and Contingent Liabilities :

	Rs. Million	31/03/2007 Rs. Million
20.1 Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	**20,081.24**	7,798.08
20.2 Contingent Liabilities :		
(a) In respect of taxation	**882.05**	249.34
(b) Other Matters :		
i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,522.42**	1,042.43
ii) Claims against the Corporation not acknowledged as debts :		
(a) Excise and customs matters	**5,314.49**	2,890.66
(b) Sales tax matters	**18,701.47**	17,698.59
(c) Others These include **Rs.5,188.78 million** (previous year Rs. 2,976.43 million) against which the Corporation has a recourse for recovery and **Rs. 2,335.07 million** (previous year Rs. 2,414.88 million) on capital account.	**4,319.13**	6,216.90
iii) Claims on account of wages, bonus/ex–gratia payments in respect of pending court cases.	**11.50**	10.24

21. **21.1** Foreign Exchange losses amounting to **Rs. 741.78 million** (previous year Rs. 553.15 million) are regarded as adjustment to Interest cost and debited to Interest expenditure.

21.2 The amount of exchange difference adjusted to the carrying cost of fixed assets is **Rs. Nil** (previous year credited Rs. 6.05 million)

21.3 The deferred premium amounting to **Rs. 2,011.20 million** (previous year Rs. 2,419.34 million) in respect of forward exchange contract will be recognised in the Profit and Loss Account of one or more subsequent accounting periods.

22. **22.1** The Corporation has on the Balance Sheet date, outstanding forward contracts amounting to **USD 523.15 million** (previous year USD 184.02 million) to hedge the foreign currency exposure towards loans; this includes **USD 107.50 million** (previous year USD 25.00 million) in respect of long term loans. The Corporation does not generally hedge the risks on account of foreign currency exposure for the payment of crude oil. Following are the unhedged foreign currency exposures as on 31.03.2008:

Exposure Type	USD Million	31/03/2007 USD Million
Import of Crude oil	**733.81**	465.58
Buyers Credit Loan (Short Term)	**528.52**	339.63
ECB (Long Term)	**200.00**	282.50

22.2 The Corporation has on the Balance Sheet date the following outstanding derivatives for hedging purposes:

Instrument	Description	Quantity
OTC Swap	Spread between Petroleum Products and Crude Oil	0.10 million barrels
OTC Swap	Spread between Dated Brent Crude and Dubai Crude Oil	0.30 million barrels
Interest Rate Swaps	Floating to Fixed interest in respect of ECB loan of USD 13.50 million	—

For the year 2007–08, the Corporation has provided for losses on Mark–to–Market basis for outstanding derivatives in accordance with the principle of prudence and other applicable guidelines. Accordingly, **Rs.17.54 million** (previous year Rs. Nil) has been provided for losses on the above outstanding derivatives.

23. Managerial Remuneration :

	Rs. Million	2006–07 Rs. Million
Salary and allowances	**4.34**	3.80
Contributions to Provident Fund and other funds	**0.53**	0.45
Other benefits	**5.50**	4.05
	10.37	8.30

24. Remuneration to Auditors :

	Rs. Million	2006–07 Rs. Million
(a) Audit fees	**1.35**	1.55
(b) Fees for other services–certification.	**0.96**	1.11
(c) Reimbursement of out of pocket expenses	**—**	0.06
	2.31	2.72

25. Licensed Capacity, Installed Capacity (as certified by the Management) and actual production in respect of goods manufactured :

	Licensed Capacity	**Installed Capacity**	**Actual Production**
(a) Fuel refinery			
(i) In million metric tonnes p.a.	NA	**19.50**	**20.95**
	(NA)	(19.50)	(19.78)
(ii) Production in kilolitres (KL)			
Light distillates	—	—	**7,363,760**
			(6,248,058)
Middle distillates	—	—	**12,968,171**
			(11,863,352)
Others	—	—	**3,627,994**
			(4,042,483)
(b) Aromatics (in MT)			
(i) Benzene *	**185,500**	**192,900**	**88,313**
	(185,500)	(192,900)	(103,585)
(ii) Toluene *	**67,600**	**73,100**	**26,336**
	(67,600)	(73,100)	(39,544)
(iii) Mixed Aromatic Solvent	**15,000**	**15,000**	**—**
	(15,000)	(15,000)	—
(c) MTBE in M.T. #	**NA**	**30,000**	**24,795**
	(NA)	(30,000)	(18,564)
(d) New Solvent Unit			
(i) Solvent (SBP 55–115) in M.T.	**NA**	**40,000**	**4,520**
	(NA)	(40,000)	(3,077)
(ii) Solvent (Food Grade Hexane) in M.T.	**NA**	**25,000**	**21,705**
	(NA)	(25,000)	(27,633)
(e) Poly Propylene Feedstock in M.T.	**NA**	**60,000**	**62,542**
	(NA)	(60,000)	(46,133)

		Licensed Capacity	Installed Capacity	Actual Production
(f)	Lubricants in M.T.	**NA**	**181,000**	**161,957**
		(NA)	(181,000)	(116,337)
(g)	Lube Oil Base Stock (LOBS) in M.T.	**NA**	**180,000**	**153,816**
		(NA)	(180,000)	(104,905)
(h)	Sulphur in M.T.	**NA**	**117,667**	**80,778**
		(NA)	(117,667)	(71,429)
(i)	Natural Rubber Modified Bitumen in M.T.	**NA**	**65,000**	**6,695**
		(NA)	(65,000)	(27,679)
(j)	Bitumen Emulsion (Single Shift) in M.T.	**50,000**	**27,600**	**2,279**
		(50,000)	(27,600)	(1,791)
(k)	Diesel Additive (Single Shift) in M.T.	**5,000**	**1,500**	—
		(5,000)	(1,500)	—
(l)	Propylene in M.T.	**65,000**	**15,000**	—
		(65,000)	(15,000)	—
(m)	Petroleum Hydrocarbon Solvent in M.T.	**10,000**	**8,820**	**6,833**
		(10,000)	(8,820)	(6,546)
(n)	Poly Iso Butene in M.T.	**5,000**	**5,000**	**2,278**
		(5,000)	(5,000)	(3,098)
(o)	Cable Jelly (Poly Isobutene Unit) in M.T.	**6,500**	**2,500**	—
		(6,500)	(2,500)	—
(p)	Others (Poly Isobutene Unit) in M.T.	**14,000**	**1,000**	—
		(14,000)	(1,000)	—

*For Kochi Refinery, the combined capacity of Benzene and Toluene is 99200 MT as against the individual capacity of 87200 MT and 50000 MT respectively.

#MTBE is used for own manufacture of Motor Spirit.

26. Raw materials consumed :

	Quantity KL	MT	Value Rs. Million
Crude Oil	—	**20,917,075**	**484,772.26**
		(19,784,427)	(417,382.72)
Base oil	**37,099**	—	**1,318.57**
	(67,695)		(2,719.98)
Additive		**9,991**	**1,090.14**
		(10,477)	(973.49)
Ethanol	**60,772**		**1,671.30**
	(20,499)		(526.39)
Others	—	**9,686**	**366.98**
		(12,183)	(430.78)
			489,219.26
			(422,033.36)

27. Finished goods purchased, sold and stocked :

Petroleum Products	Opening Stock Quantity MT	Opening Stock Value Rs. Million	Purchases Quantity MT	Purchases Value Rs. Million
Light Distillates	**672,461**	**23,288.89**	**5,266,652**	**179,888.74**
	(705,567)	(22,066.49)	(4,746,403)	(149,148.19)
Middle Distillates	**1,286,349**	**35,012.97**	**9,196,606**	**344,381.23**
	(1,337,455)	(36,105.12)	(8,774,546)	(310,229.46)
Others	**318,614**	**5,055.41**	**108,341**	**2,212.08**
	(281,065)	(4,839.05)	(179,514)	(3,154.58)
Aromatics				
(a) Benzene	**2,271**	**94.77**	—	—
	(4,521)	(170.19)	—	—
(b) Toluene	**1,725**	**65.44**	—	—
	(2,011)	(76.01)	—	—
Lubricants	**54,832**	**2,542.92**	**8,919**	**414.13**
	(15,803)	(904.65)	(7,875)	(393.56)
Crude Oil	—	—	—	—
	—	—	(72,495)	(1,289.48)
Others (Grocery)	—	**1.53**	—	—
	—	(1.75)	—	(12.41)
		66,061.92		**526,896.17**
		(64,163.25)		(464,227.68)

Petroleum Products	Sales Quantity MT	Sales Value Rs. Million	Closing Stock Quantity MT	Closing Stock Value Rs. Million
Light Distillates	**10,446,481**	**372,147.88**	**592,548**	**23,982.31**
	(9,329,596)	(327,042.42)	(672,461)	(23,288.89)
Middle Distillates	**20,040,199**	**654,834.47**	**985,902**	**30,701.30**
	(18,328,911)	(603,361.54)	(1,286,349)	(35,012.96)
Others	**3,812,237**	**81,871.56**	**225,774**	**4,498.21**
	(4,078,024)	(72,000.26)	(318,614)	(5,055.41)
Aromatics				
(a) Benzene	**87,173**	**4,488.15**	**3,414**	**149.24**
	(105,838)	(5,393.46)	(2,271)	(94.77)
(b) Toluene	**27,380**	**1,247.02**	**679**	**28.39**
	(39,832)	(2,037.87)	(1,725)	(65.44)
Lubricants	**260,352**	**16,356.61**	**40,231**	**1,906.83**
	(132,573)	(10,904.17)	(54,832)	(2,542.92)
Crude Oil	—	—	—	—
	(72,495)	(1,289.48)	—	—
Others (Grocery)	—	—	—	**1.53**
	—	(14.50)	—	(1.53)
		1,130,945.69		**61,267.81**
		(1,022,043.70)		(66,061.92)

(a) Purchases exclude inter product transfers.

(b) Purchases of petroleum products exclude payments to third parties for processing fees **Rs. 418.18 million** (previous year Rs. 342.27 million) but include own consumption and samples **Rs. 667.99 million** (previous year Rs.665.58 million).

(c) Sales exclude Oil Marketing Companies GOI Special Bonds worth **Rs.85,895.00 million** (previous year Rs.52,479.00 million) issued by Government of India.

28. Value of imports calculated on C.I.F. basis

		Rs. Million	2006–07 Rs. Million
(a)	Raw Materials (including crude oil)	**326,928.69**	280,513.16
(b)	Capital goods	**1,056.13**	1,577.03
(c)	Components and spare parts (including packages, chemicals and catalysts)	**569.10**	404.96

29. Expenditure in foreign currency (on cash basis) :

		Rs. Million	2006–07 Rs. Million
(a)	Purchase of products	**10,736.71**	6,893.25
(b)	Know–how	—	4.24
(c)	Professional Consultancy Fees	**251.63**	109.56
(d)	Royalty	**89.94**	90.77
(e)	Interest	**723.29**	96.85
(f)	Other matters	**5,251.99**	3,529.21

30. Value of raw materials, stores/spare parts and components including packages, chemicals & catalysts consumed (on derived basis) :

	Imported		Indigenous		Total
	Rs. Million	%	**Rs. Million**	%	**Rs. Million**
Crude Oil	**347,009.64**	**71.58**	**137,762.62**	**28.42**	**484,772.26**
	(304,202.98)	(72.88)	(113,179.74)	(27.12)	(417,382.72)
Base Oil	**51.76**	**3.93**	**1,266.82**	**96.07**	**1,318.57**
	(43.82)	(1.61)	(2,676.16)	(98.39)	(2,719.98)
Additive	**46.78**	**4.29**	**1,043.36**	**95.71**	**1,090.14**
	(60.67)	(6.23)	(912.82)	(93.77)	(973.49)
Ethanol	—	—	**1,671.30**	**100.00**	**1,671.30**
	—	—	(526.39)	(100.00)	(526.39)
Others	**202.70**	**55.23**	**164.28**	**44.77**	**366.99**
	(148.80)	(34.54)	(281.98)	(65.46)	(430.78)
Stores/Spare parts and Components (including packages, chemicals & catalysts)	**411.76**	**17.85**	**1,894.46**	**82.15**	**2,306.22**
	(302.00)	(11.86)	(2,244.78)	(88.14)	(2,546.78)

31. Earnings in foreign exchange :

	Rs. Million	2006–07 Rs. Million
Exports on FOB basis #	**67,358.98**	47,713.33
Exports on CFR basis	**7,042.66**	8,129.63
Management contract	—	8.36

Includes receipt of **Rs. 15,270.27 million** (previous year Rs. 6,460.48 million) in Indian currency out of the repatriable funds of foreign airline customers and **Rs. 97.52 million** (previous year Rs. 63.59 million) of INR exports to Nepal and Bhutan.

32. Expenditure on social overheads :

		Rs. Million	2006–07 Rs. Million
(a)	Expenditure on township [net of recovery **Rs.9.32 million** (previous year Rs.7.41 million)]	**17.83**	18.02
(b)	Medical facilities over and above statutory requirements	**4.63**	4.60
(c)	Social and cultural activities	**71.74**	61.25
(d)	Depreciation on capital assets	**13.26**	13.29

33. Profit and Loss Account includes expenditure on :

		Rs. Million	2006–07 Rs. Million
(a)	Entertainment	**7.81**	7.28
(b)	Public relations and publicity	**37.22**	37.05
(c)	Remuneration to staff employed for public relations work	**17.02**	15.52

34. Research and development

		Rs. Million	2006–07 Rs. Million
(a)	Revenue expenditure	**167.49**	109.12
(b)	Capital expenditure	**86.19**	75.05

	Rs. Million	2006–07 Rs. Million
35. Value Added	**80,244.31**	79,552.62

36. STATUTORY INFORMATION PURSUANT TO PART – IV OF SCHEDULE – VI TO THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 8931/TA/III 0F 1952 – 53 State Code 11

Balance Sheet Date 31 (Date) 03 (Month) 2008 (Year)

II. Capital raised during the year (Rs. million)

Public Issue	Right Issue
NIL	NIL

Bonus Issue	Private Placement
NIL	NIL

III Position of Mobilisation and Deployment of Funds (Rs. million)

	Total Liabilities	Total Assets
	427608.43	427608.43

Sources of Funds :
(excluding deferred tax liability)

Paid–up Capital	Reserves & Surplus
3615.44 #	113152.96

Secured Loans	Unsecured Loans
27302.07	122921.69

\# Including Share Application Money Suspense Rs. 0.02 million

Application of Funds :

Net Fixed Assets	Investments
127353.77 *	103182.15

Net Current Assets	Misc. Expenditure
51269.89	NIL

Accumulated losses	
NIL	

*Includes Capital work–in–progress

SCHEDULE 'X' — (CONTD.)

IV. Performance of Company (Rs. million)

Turnover	Total Expenditure
1230794.90 *	1204822.03
+ – Profit/Loss Before Tax	+ – Profit/Loss After Tax
+ 25972.87	+ 15805.61
Earning per Share in Rs.	Dividend rate %
43.72	40

* Includes miscellaneous income

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	2710
Product Description	PETROLEUM PRODUCTS
Item Code No. (ITC Code)	2902
Product Description	BENZENE
Item Code No. (ITC Code)	2710
Product Description	LUBRICANTS

Note :
ITC code of products as per Indian Trade Classification based on harmonised commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics.

37. Figures of the previous year have been regrouped wherever necessary, to conform to current year presentation.

Signature to Schedules `A' to `X'

For and on behalf of the Board of Directors

Sd/–
ASHOK SINHA
Chairman and Managing Director

Sd/–
S. K. JOSHI
Director (Finance)

Sd/–
N. VISWAKUMAR
Company Secretary

Place : Mumbai
Dated : 17th June, 2008

CASH FLOW STATEMENT

For the year ended 31st March	Notes	2008 Rs. Million	2007 Rs. Million
A Cash Flow from Operating Activities			
Net Profit Before tax and prior period items		**24,719.12**	28,879.48
Adjustments for :			
Depreciation		**10,982.06**	9,041.12
Interest		**6,724.72**	5,326.66
Foreign Exchange Fluctuations	Note 3	**(1,158.79)**	(971.95)
(Profit) / Loss on Sale of fixed assets		**10.11**	9.20
(Profit) / Loss on Sale of investments		**(479.10)**	421.69
Income from Investments		**(5,046.85)**	(3,372.47)
Dividend Received		**(1,352.04)**	(964.06)
Other Non–Cash items	Note 4	**1,957.53**	2,040.55
Operating Profit before Working Capital Changes		**36,356.76**	40,410.22
(Invested in)/Generated from :			
Trade Receivables		**(925.88)**	(2,541.93)
Other receivables		**(39,646.38)**	(3,724.91)
Inventory		**(19,469.27)**	3,729.31
Current Liabilities & Payables		**34,880.61**	13,988.66
Cash generated from Operations		**11,195.84**	51,861.35
Direct Taxes paid		**(8,283.68)**	(5,708.75)
Cash flow before prior period items		**2,912.16**	46,152.60
Prior Period Items		**1,253.75**	(1,203.04)
Non-Cash items		**5.39**	1,516.98
Net Cash from Operating Activities		**4,171.30**	46,466.54

CASH FLOW STATEMENT (CONTD.)

	For the year ended 31st March Notes	2008 Rs. Million	2007 Rs. Million
B Net Cash Flow from Investing Activities			
Purchase of fixed assets		**(20,664.65)**	(17,908.40)
Sale of fixed assets		**375.30**	35.12
Capital Grant Received		—	21.93
(Investment)/Sale of Investment in Joint Venture Companies			
Bharat Shell Ltd.		**1,524.00**	—
Central UP Gas Ltd.		**(0.25)**	(22.75)
Premier Oil Cachar BV		—	(1.04)
Sabarmati Gas Ltd.		—	(0.13)
Maharashtra Natural Gas Ltd.		—	(0.13)
Bharat Star Services Pvt. Ltd.		**(34.00)**	—
Cochin International Airport Ltd.		—	(52.50)
Advance for Investments		**(507.25)**	(8,706.36)
Purchase of Investments		**(47,205.53)**	(52,493.55)
Sale of Investments		**24,538.78**	15,795.31
Income from Investment		**5,082.04**	3,372.47
Dividend Received		**1,352.04**	964.06
		(35,539.52)	(58,995.97)
C Net Cash Flow from Financing Activities			
Long term Borrowings		**9,990.19**	(3,643.23)
Repayment of loans		**(1,490.35)**	8,799.67
Interest paid		**(6,344.58)**	(5,095.65)
Interim Dividend Paid		—	(2,169.25)
Dividend Paid		**(3,616.69)**	(902.41)
Corporate Dividend Tax		**(614.44)**	(431.01)
Realised gains of exchange differences on foreign currency loans		**98.51**	205.41
Net Cash Flow from Financing Activities		**(1,977.36)**	(3,236.47)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)		**(33,345.58)**	(15,765.90)

Cash and Cash equivalents as at 31st March	Notes	2007 Rs. Million	2006 Rs. Million
Cash in Hand		**4,088.91**	2,309.54
Cash at Bank		**4,449.52**	2,465.37
Cash in transit		**101.25**	146.05
Cash Credit from scheduled banks		**(17,134.32)**	(17,573.53)
CBLOs		**(8,660.00)**	(8,650.00)
Unsecured loans from scheduled banks / ICDs / CPs		**(60,896.44)**	(40,982.61)
		(78,051.08)	(62,285.18)
Cash and Cash equivalents as at 31st March		**2008**	2007
Cash in Hand		**3,958.42**	4,088.91
Cash at Bank		**5,657.49**	4,449.52
Cash in transit		**—**	101.25
Cash Credit from scheduled banks		**(9,301.22)**	(17,134.32)
CBLOs		**(10,000.00)**	(8,660.00)
Unsecured loans from scheduled banks / ICDs / CPs		**(101,711.35)**	(60,896.44)
		(111,396.66)	(78,051.08)
Net change in Cash and Cash equivalents		**(33,345.58)**	(15,765.90)

Explanatory notes to Cash Flow Statement

1. The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 prescribed by the Institute of Chartered Accountants of India.
2. In Part–A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part–B and Part–C, figures in brackets indicate cash outflows.
3. The net profit / loss arising due to conversion of current assets / current liabilities, receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations".
4. "Other Non–Cash items" include excess provisions written back, foreign exchange adjustments, diminution in value of investment, amortisation of Capital grant, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
5. Figures of the previous year have been regrouped wherever necessary, to conform to current year's presentation.

For and on behalf of the Board of Directors

Sd/–
ASHOK SINHA
Chairman and Managing Director

Place: Mumbai
Dated: 17th June, 2008

As per our attached report of even date

For and on behalf of
B.K. KHARE & CO.
Chartered Accountants

Sd/–
PADMINI KHARE KAICKER
Partner
Membership No. 44784

CONSOLIDATED FINANCIAL STATEMENTS OF BHARAT PETROLEUM CORPORATION LIMITED

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
Bharat Petroleum Corporation Ltd.

1. We have audited the attached Consolidated Balance Sheet of Bharat Petroleum Corporation Limited and its subsidiaries and its joint ventures as at March 31, 2008 and also the Consolidated Profit & Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Bharat Petroleum Corporation Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries and joint ventures, whose financial statements reflect the Group's share of total assets of Rs.47,547.44 million as at March 31, 2008 and the Group's share of total revenues of Rs.90,838.05 million and net cash outflows amounting to Rs.1,275.90 million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by the other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries and joint ventures, is based solely on the report of the other auditors.
4. We have relied on the unaudited financial statements of two joint ventures, which reflect the Group's share of total assets of Rs.1,670.62 million as at March 31, 2008 and the Group's share of total revenues of Rs.1,686.42 million and net cash inflows amounting to Rs.164.71 million for the year ended on that date as considered in the consolidated financial statements.
5. We report that consolidated financial statements have been prepared by the management of Bharat Petroleum Corporation Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements and Accounting Standard (AS) 27- Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
6. Without qualifying our opinion, we draw attention to:
   a. Note No. 9 of Schedule X, in respect of impairment of assets wherein, being technical matters subject to uncertainty we have relied on the estimates and assumptions made by the Company in arriving at recoverable value of assets, based on desired margins.
   b. Note No. 17 read with Significant Accounting Policies 18.1 of Schedule X, in respect of accounting policy for Oil and Gas exploration and production activities adopted by the subsidiary company BPRL is different from BPCL's policy resulting in higher consolidated profits of Rs.742.6 million.
   c. Note No. 23 of Schedule X relating to non-reflection of interest in joint ventures of Numaligarh Refinery Limited in compliance of Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures, pending finalisation of accounts of the joint ventures.
7. Based on our audit and on the consideration of the separate audit reports of the other auditors on separate financial statements and on the other financial information of the components and to the best of our information and the explanations given to us, we are of the opinion that the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of Bharat Petroleum Corporation Limited, its subsidiaries, and its interests in joint ventures as at March 31, 2008,
   ii) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Bharat Petroleum Corporation Limited, its subsidiaries, and its interests in joint ventures for the year ended on that date, and
   iii) in case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Bharat Petroleum Corporation Limited, its subsidiaries, and its interests in joint ventures for the year ended on that date.

For and on behalf of
B. K. KHARE AND CO.
Chartered Accountants

Sd/-
PADMINI KHARE KAICKER
Partner
M. No. 44784

Place : Mumbai
Date : June 17, 2008

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

	SCHEDULE	Rs. Million	31/03/2007 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**3,615.42**	3,615.42
Share Application Money Suspense Account		**0.02**	0.02
		3,615.44	3,615.44
Reserves and Surplus	B	**125,453.77**	110,094.05
		129,069.21	113,709.49
2. Minority Interest :			
Share Capital		**2,820.86**	2,724.43
Reserves and Surplus		**5,784.96**	4,849.67
		8,605.82	7,574.10
3. Loan funds :	C		
Secured Loans		**36,803.08**	30,143.08
Unsecured Loans		**123,855.17**	83,523.16
		160,658.25	113,666.24
4. Deferred tax liability (net)		**18,107.92**	17,625.38
TOTAL		**316,441.20**	252,575.21
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**251,944.37**	230,625.83
Less : Depreciation and amortisation		**(108,389.95)**	(96,114.75)
Net block		**143,554.42**	134,511.08
Capital work-in-progress	E	**24,413.50**	12,767.45
		167,967.92	147,278.53
2. Investments	F	**88,093.17**	67,782.49
3. Advance for Investments	FA	**4,716.76**	4,552.35
4. Current assets, loans and advances :			
Inventories	G	**115,249.98**	95,323.03
Sundry debtors	H	**16,679.44**	16,160.13
Cash and bank balances	I	**15,889.17**	16,240.40
Other current assets	J	**49,366.03**	10,096.21
Loans and advances	K	**17,953.70**	17,246.31
		215,138.32	155,066.08
Less : Current liabilities and provisions :			
Liabilities	L	**148,340.13**	110,164.90
Provisions	M	**11,185.36**	11,947.87
		159,525.49	122,112.77
Net current assets		**55,612.83**	32,953.31
5. Miscellaneous Expenditure to the extent not written off or adjusted		**50.52**	8.53
TOTAL		**316,441.20**	252,575.21
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors
Sd/-
ASHOK SINHA
Chairman and Managing Director

Place: Mumbai
Date: 17th June, 2008

As per our attached report of even date
For and on behalf of
B. K. KHARE & CO.
Chartered Accountants
Sd/-
PADMINI KHARE KAICKER
Partner
Membership No. 44784

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	SCHEDULE	Rs. Million	2006-07 Rs. Million
INCOME			
Sale of products & related income	N	**1,231,796.87**	1,090,789.38
Less: Excise Duty Paid		**(119,365.77)**	(106,597.07)
		1,112,431.10	984,192.31
Miscellaneous income	O	**13,232.93**	6,886.44
Increase/(Decrease) in Inventory	P	**(3,161.60)**	1,211.26
TOTAL		**1,122,502.43**	992,290.01
EXPENDITURE			
Purchase of products for resale		**447,583.31**	391,693.48
Raw materials consumed	Q	**564,378.45**	486,893.28
Packages consumed		**871.89**	893.47
Excise Duty on Inventory differential		**(2,084.74)**	2,506.01
Other Duties, taxes etc. and other charges applicable to products		**7,080.28**	9,792.57
Transportation		**21,386.74**	19,722.42
Consumption of stores, spares and materials	R	**848.50**	867.41
Power and Fuel	S	**665.79**	771.61
Employees' remuneration and other benefits	T	**13,568.52**	10,675.76
Interest	U	**7,148.91**	5,756.80
Other operating and administration expenses	V	**19,261.02**	16,025.59
Depreciation and amortisation		**12,921.04**	11,020.77
Miscellaneous Expenditure Written off		**5.68**	1.10
TOTAL		**1,093,635.39**	956,620.27
Profit		**28,867.04**	35,669.74
Prior period income/(expenses) net	W	**1,333.43**	(1,974.46)
Profit before tax		**30,200.47**	33,695.28
Provision for Taxation			
- Current Tax		**10,258.88**	10,055.98
- MAT Credit		**—**	(66.63)
- Fringe Benefit Tax		**162.07**	139.62
- Deferred Tax (Net)		**587.02**	(60.94)
- Short provision for Taxation in earlier years provided for		**67.25**	68.45
Profit after tax		**19,125.25**	23,558.80
Minority Interest		**1,429.73**	2,106.85
Net Income of the Group		**17,695.52**	21,451.95
Transfer from / (to) Debenture Redemption Reserve		**—**	4,450.00
Balance brought forward		**2,447.62**	28,379.61
Less: Adjustment on account of sale of shares in Numaligarh Refinery Limited and Bharat Shell Limited (refer note 1(c)(iv) of Schedule 'X' - A)		**(202.89)**	—
Disposable Profit		**21,369.98**	56,388.41
Appropriations:			
Interim dividend paid		**0.01**	2,169.25
Proposed dividend		**2,010.40**	4,296.62
Corporate Dividend Tax on interim and proposed dividend		**365.55**	1,267.21
		2,375.96	7,733.08
Transfer to General Reserve		**16,305.45**	46,207.71
Balance Carried to Balance Sheet		**2,688.57**	2,447.62
Earnings per Share - Rs.			
- Basic		**48.94**	59.33
- Diluted		**48.94**	59.33
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors
Sd/-
ASHOK SINHA
Chairman and Managing Director

Place: Mumbai
Date: 17th June, 2008

As per our attached report of even date
For and on behalf of
B. K. KHARE & CO.
Chartered Accountants
Sd/-
PADMINI KHARE KAICKER
Partner
Membership No. 44784

SCHEDULE 'A' — SHARE CAPITAL (CONSOLIDATED)

	Rs. Million	31/03/2007 Rs. Million
Authorised		
450,000,000 equity shares of Rs.10 each	**4,500.00**	4,500.00
	4,500.00	4,500.00
Issued, subscribed and paid-up		
361,542,124 (previous year 361,542,124) equity shares of Rs.10 each fully paid-up	**3,615.42**	3,615.42
Total	**3,615.42**	3,615.42

SCHEDULE 'B' — RESERVES AND SURPLUS (CONSOLIDATED)

		Rs. Million	31/03/2007 Rs. Million
1.	**Capital Reserve**		
	As per last Balance Sheet	**521.84**	532.10
	Add: Adjustment on account of sale of shares in Numaligarh Refinery Limited	**13.16**	—
	(refer note 1(c)(iv) of Schedule 'X' - A)		
	Add/(Less): Grant received / (reversed) during the year	**(0.29)**	(9.24)
	Less : Amortisation of Capital Grant	**(0.94)**	(1.02)
		533.77	521.84
2.	**Capital Reserve on acquisition of subsidiaries**	**678.64**	678.64
	(Less): Adjustment on account of sale of shares in Numaligarh Refinery Limited	**(14.18)**	—
	(refer note 1(c)(iv) of Schedule 'X' - A)		
		664.46	678.64
3.	**Debenture Redemption Reserve**		
	As per last Balance Sheet	—	4,450.00
	(Less): Transfer to Profit & Loss Account	—	(4,450.00)
		—	—
4.	**General Reserve**		
	As per last Balance Sheet	**111,061.68**	64,894.79
	Add : Transfer from Profit & Loss Account	**16,274.64**	46,166.89
	(Less): Transitional provision for Employee Benefits	**(249.13)**	—
	(refer note 10 of Schedule 'X' - B)		
		127,087.19	111,061.68
5.	**Surplus as per Profit & Loss Account**	**843.22**	1,152.69
	Sub-total (1+2+3+4+5)	**129,128.64**	113,414.85
	Less: Minority Interest	**5,784.96**	4,849.67
		123,343.68	108,565.18
6.	**Share of interest in Joint Ventures**		
	General Reserve	**120.40**	89.59
	Surplus as per Profit & Loss Account	**1,845.35**	1,294.93
	Capital Reserve	—	0.01
	Securities Premium	**144.34**	144.34
		2,110.09	1,528.87
	Total	**125,453.77**	110,094.05

SCHEDULE 'C' — LOAN FUNDS (CONSOLIDATED)

	Rs. Million	31/03/2007 Rs. Million
Secured Loans		
Banks		
Working Capital Loans/Cash Credit	**9,316.67**	17,492.56
(Secured in favour of the participating banks ranking pari passu inter-alia by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares and all movables both present and future)		
Term Loans		
(Secured by 7% Oil Companies GOI Special Bonds 2012) [Due for repayment within one year **Rs.8,000 million** (previous year Rs. Nil)]	**8,000.00**	—
(Secured in favour of participating banks ranking pari-passu inter-alia by hypothecation of Plant & Machinery, Office Equipments, Electrical Fittings and other Fixed Assets)	—	750.00
[Due for repayment within one year **Rs.Nil** (previous year Rs.750 million)]		
Collateralised Borrowing and Lending Obligation (CBLO) through Clearing Corporation of India Ltd. [Secured by Oil Marketing Companies GOI Special Bonds of Rs. **13,987.00 million** (previous year Rs.17,453.90 million)]	**10,000.00**	8,660.00
Interest accrued and due	**0.85**	147.25
	27,317.52	27,049.81
Share of interest in Joint Ventures	**9,485.56**	3,093.27
	36,803.08	30,143.08
Unsecured Loans		
Syndicated Loans from various banks (repayable in foreign currency)	**14,389.92**	13,148.81
[Due for repayment within one year **Rs. Nil** (previous year Rs. Nil)]		
Public deposits	**288.02**	626.11
[Due for repayment within one year **Rs. 250.93 million** (previous year Rs. 313.98 million)]		
Short Term (From Banks)		
Rupee Loans	**62,654.11**	36,454.04
Foreign Currency Loans	**39,061.35**	24,456.44
OIDB	**7,290.91**	8,719.70
[Due for repayment within one year **Rs. 3,928.79 million** (previous year Rs. 1,428.79 million)]		
	123,684.31	83,405.10
Share of interest in Joint Ventures	**170.86**	118.06
	123,855.17	83,523.16
Total	**160,658.25**	113,666.24

SCHEDULE 'D' — FIXED ASSETS (CONSOLIDATED)

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	AS AT 01-04-2007	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT / RECLASSIFICATIONS	**AS AT 31-03-2008**	UPTO 31-03-2007	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT / RECLASSIFI CATIONS	**UPTO 31-03-2008**	**AS AT 31-03-2008**	AS AT 31-03-2007
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	3,824.26	464.43	115.12	**4,173.57**	—	—	—	—	**4,173.57**	3,824.26
(b) Leasehold	848.19	37.00	(97.19)	**982.38**	133.36	17.55	—	**150.91**	**831.47**	714.83
2. BUILDINGS	35,256.94	4,707.17	42.49	**39,921.62**	4,116.19	761.81	26.52	**4,851.48**	**35,070.14**	31,140.75
3. RAILWAY SIDINGS	2,467.55	54.71	0.02	**2,522.24**	999.44	117.52	-	**1,116.96**	**1,405.28**	1,468.11
4. PLANT and MACHINERY	86,235.68	3,126.40	587.82	**88,774.26**	30,772.56	4,277.44	77.92	**34,972.08**	**53,802.18**	55,463.12
5. TANKS and PIPELINES	34,913.12	6,250.97	418.95	**40,745.14**	15,704.61	2,359.38	58.21	**18,005.78**	**22,739.36**	19,208.51
6. FURNITURE and FITTINGS	1,350.01	220.38	18.24	**1,552.15**	598.20	102.72	17.13	**683.79**	**868.36**	751.81
7. VEHICLES	1,327.78	265.21	26.00	**1,566.99**	799.92	110.62	22.41	**888.13**	**678.86**	527.86
8. OTHER ASSETS										
(a) Dispensing Pumps	11,034.94	1,911.42	13.86	**12,932.50**	2,313.07	548.17	6.37	**2,854.87**	**10,077.63**	8,721.87
(b) LPG Cylinders and Allied Equipment	32,625.86	3,201.67	84.43	**35,743.10**	32,625.86	3,201.67	84.43	**35,743.10**	—	—
(c) Sundries	13,878.51	2,068.83	144.18	**15,803.16**	6,265.95	984.43	177.42	**7,072.96**	**8,730.20**	7,612.56
9. INTANGIBLE ASSETS (refer note 24 of Schedule 'X' B)	768.71	105.58	(36.34)	**910.63**	245.83	117.02	(3.60)	**366.45**	**544.18**	522.88
TOTAL	**224,531.55**	**22,413.77**	**1,317.58**	**245,627.74**	**94,574.99**	**12,598.33**	**466.81**	**106,706.51**	**138,921.23**	**129,956.56**
Share of interest in Joint Ventures	**5,659.82**	**664.37**	**7.56**	**6,316.63**	**1,328.77**	**364.42**	**9.75**	**1,683.44**	**4,633.19**	**4,331.05**
GRAND TOTAL	**230,191.37**	**23,078.14**	**1,325.14**	**251,944.37**	**95,903.76**	**12,962.75**	**476.56**	**108,389.95**	**143,554.42**	**134,287.61**
Total 2006-07	200,522.31	24,845.32	836.08	**224,531.55**	81,980.04	13,036.30	441.35	**94,574.99**	**129,956.56**	118,542.27
Share of interest in Joint Ventures	5,889.28	214.17	9.17	**6,094.28**	1,162.64	383.23	6.11	**1,539.76**	**4,554.52**	4,726.64
Grand Total 2006-07	206,411.59	25,059.49	845.25	**230,625.83**	83,142.68	13,419.53	447.46	**96,114.75**	**134,511.08**	123,268.91

NOTES :

1) Land:-

a) Freehold land of the group includes **Rs. 1,080.02 million** (previous year Rs. 832.17 million) for which conveyance deed / registration / execution of title deeds are pending.

b) Leasehold land of the group includes gross block **Rs. 15.09 million** (previous year Rs. 15.09 million) which though in possession, the lease deeds are yet to be registered.

c) Freehold land of BPCL includes land costing **Rs. 21.27 million** (previous year Rs. 21.27 million) which is in the process of being surrendered to competent authority.

d) Freehold land includes **Rs. 42.70 million** (previous year Rs. 42.70 million) in respect of which mutation is pending.

e) Freehold land of Numaligarh Refinery Limited includes **Rs. 42.38 million** (previous year Rs. 35.28 million) towards land settlement as per Honorable Supreme Court order.

2) Buildings pertaining to BPCL include:-

a) Ownership flats of **Rs. 614.93 million** (previous year Rs. 147.41 million) in proposed / existing co-operative societies.

b) Residential flats and office complex which are in possession of BPCL and in respect of which the lease deeds are yet to be registered: - Gross Block **Rs. 308.69 million** (previous year Rs. 308.69 million), Net Block **Rs. 291.99 million** (previous year Rs. 296.83 million).

3) Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned by BPCL in varying extent with other Oil Companies / Railways :- Gross Block **Rs. 1,815.10 million** (previous year Rs. 1,788.30 million), Cumulative Depreciation **Rs. 670.67 million** (previous year Rs. 586.74 million), Net Block **Rs. 1,144.43 million** (previous year Rs. 1,201.56 million).

4) Buildings, Plant & Machinery and Sundries includes **Rs. 182.89 million** (previous year Rs. 182.74 million) towards assets, ownership of which does not vest with the group. This amount has been amortised over a period of five years. The amount charged off as depreciation for the current year is **Rs. 10.06 million** (previous year Rs. 9.87 million).

5) Gross Block of the group includes **Rs. 95.16 million** (previous year Rs. 213.82 million) towards assets which are identified as held for disposal during the year in respect of which additional depreciation of **Rs. 43.02 million** (previous year Rs. 109.07 million) has been provided to recognise the expected loss on disposal.

6) Interest in Joint Venture includes **Rs. 14.90 million** (previous year Rs. 14.90 million) towards land obtained under perpetual lease for which the lease agreement is not yet executed.

SCHEDULE 'E' — CAPITAL WORK-IN-PROGRESS (CONSOLIDATED)

		Rs. Million	31/03/2007 Rs. Million
Capital work-in-progress (at Cost)			
Work-in-progress		**6,111.95**	6,883.04
Capital Advances (Unsecured, Considered good)		**1,411.68**	608.91
Capital Stores including lying with contractors		**2,089.25**	1,521.22
Capital goods in transit		**246.81**	65.14
Intangible assets pending amortisation (refer note 24 of Schedule 'X' - B)		**—**	1.67
Construction period expenses			
Opening balance		**419.74**	528.44
Add :	Expenditure during the year		
	Establishment charges	**128.78**	99.83
	Interest	**82.32**	208.58
	Depreciation	**0.07**	2.26
	Others	**146.10**	207.91
		777.01	1,047.02
Less:	Allocated to assets capitalised during the year	**(542.36)**	(627.28)
Closing balance		**234.65**	419.74
Share of interest in Joint Ventures		**14,319.16**	3,267.73
Total		**24,413.50**	12,767.45

SCHEDULE 'F' — INVESTMENTS (CONSOLIDATED)

		31/03/2007
	Rs. Million	Rs. Million
CURRENT		
IN GOVERNMENT SECURITIES		
NON TRADE - QUOTED	**88,297.60**	67,347.10
Less : Provision for diminution in value of investment	**(3,179.47)**	(1,249.26)
	85,118.13	66,097.84
IN OTHER SECURITIES		
NON TRADE - QUOTED	**567.66**	—
	567.66	—
LONG TERM		
IN GOVERNMENT SECURITIES		
NON TRADE - QUOTED	**643.47**	643.47
Less : Provision for diminution in value of investment	**(38.59)**	(25.10)
	604.88	618.37
IN SHARES, DEBENTURES AND BONDS		
TRADE - UNQUOTED	**433.78**	358.38
Less : Provision for diminution in value of investment	**(251.84)**	(251.84)
	181.94	106.54
IN OTHER SECURITIES		
NON TRADE - QUOTED	**88.75**	88.75
	88.75	88.75
NON TRADE - UNQUOTED	**0.08**	0.08
	0.08	0.08
IN ASSOCIATION OF PERSONS		
NON TRADE - UNQUOTED		
Capital Contribution in Petroleum India International	**100.00**	1.00
Share in accumulated surplus of Petroleum India International	**123.95**	235.20
	86,785.39	67,147.78
Share of interest in Joint Ventures - UNQUOTED	**1,307.78**	634.71
Total	**88,093.17**	67,782.49

Aggregate value of Unquoted Securities **Rs. 1,713.75 million** (previous year Rs. 984.03 million).
Aggregate value of Quoted Securities **Rs. 86,379.42 million** (previous year Rs. 66,804.96 million).
Market value of Quoted Securities **Rs. 85,546.50 million** (previous year Rs. 66,605.61 million).

SCHEDULE 'FA' — ADVANCE FOR INVESTMENTS (CONSOLIDATED)

		31/03/2007
	Rs. Million	Rs. Million
Share Application Money / Advance towards equity pending allotment	**4,716.76**	4,552.35
Share of interest in Joint Ventures	—	—
Total	**4,716.76**	4,552.35

SCHEDULE 'G' — INVENTORIES (CONSOLIDATED)

	Rs. Million	31/03/2007 Rs. Million
Stores and spares	**2,167.88**	1,621.20
[Including in transit **Rs. 126.47 million** (previous year Rs. 64.00 million)]		
Raw materials	**39,431.81**	16,413.46
[Including in transit **Rs. 17,560.41 million** (previous year Rs. 4,236.61 million)]		
Stock in process	**6,795.43**	5,669.55
Finished products	**66,603.30**	70,890.80
[Including in transit **Rs. 706.56 million** (previous year Rs. 4.49 million)]		
Packages	**85.34**	36.85
	115,083.76	94,631.86
Share of interest in Joint Ventures	**166.22**	691.17
Total	**115,249.98**	95,323.03

SCHEDULE 'H' - SUNDRY DEBTORS (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2007 Rs. Million
Debts outstanding for over six months :		
Considered good *	**2,287.53**	2,501.33
Considered doubtful	**1,837.56**	1,834.15
	4,125.09	4,335.48
Other debts	**13,967.33**	13,070.18
	18,092.42	17,405.66
Less : Provision for doubtful debts	**(1,837.56)**	(1,834.15)
	16,254.86	15,571.51
Share of interest in Joint Ventures	**424.58**	588.62
Total	**16,679.44**	16,160.13

* Includes **Rs. 71.62 million** (previous year Rs. 48.77 million) which are secured.

SCHEDULE 'I' — CASH AND BANK BALANCES (CONSOLIDATED)

	Rs. Million	31/03/2007 Rs. Million
Cash on Hand	**4,050.39**	4,089.08
[Includes drafts and cheques on hand of **Rs.3,776.72 million** (previous year Rs.3,890.65 million)]		
With Scheduled banks :		
In current accounts	**5,679.76**	4,493.28
In deposit accounts *	**5,009.19**	3,859.14
Remittances in transit	**#**	101.25
	14,739.34	12,542.75
Share of interest in Joint Ventures	**1,149.83**	3,697.65
Total	**15,889.17**	16,240.40

* Includes deposit of

(a) **Rs.0.04 million** (previous year Rs.0.04 million) in the joint names with contractors towards Sales tax on works contract.

(b) **Rs.8.01 million** (previous year Rs.8.01 million) that have been pledged / deposited with local authorities.

Value Rs.2,423.76

SCHEDULE 'J' — OTHER CURRENT ASSETS (CONSOLIDATED)

	Rs. Million	31/03/2007 Rs. Million
Interest accrued on investments	**1,014.51**	1,044.22
Interest accrued on bank deposits	**14.51**	37.54
Interest accrued on other loans	**0.36**	0.14
Oil Marketing Companies GOI Special Bonds Receivable	**39,714.50**	—
Deferred premium (foreign exchange forward contract)	**2,011.20**	2,419.34
Others (refer note 4 of Schedule 'X'-B)	**6,591.02**	6,591.02
	49,346.10	10,092.26
Share of interest in Joint Ventures	**19.93**	3.95
Total	**49,366.03**	10,096.21

SCHEDULE 'K' - LOANS AND ADVANCES (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2007 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less : Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**6,576.30**	6,523.79
Loans:		
To companies		
Considered doubtful	**28.08**	62.37
Less : Provision for doubtful loans	**(28.08)**	(62.37)
To others	**385.92**	308.63
Advances:		
Advances recoverable in cash, or in kind or for value to be received	**3,105.45**	2,698.60
Advances considered doubtful	**29.37**	16.83
Less : Provision for doubtful advances	**(29.37)**	(16.83)
	10,067.67	9,531.02
Material given on Loan (Secured)	**4.64**	4.64
Less : Deposits Received	**(4.64)**	(4.64)
Dues from Petroleum Planning & Analysis Cell - Government of India	**54.01**	145.89
Claims :		
Considered good	**2,725.56**	3,098.54
Considered doubtful	**569.58**	606.61
Less : Provision for doubtful claims	**(569.58)**	(606.61)
	2,725.56	3,098.54
Advance Income Tax (Net of provision for taxation)	**1,660.44**	1,917.10
Deposits :		
With Customs/Excise/Port Trust etc. @	**1,165.50**	1,317.29
Others**	**1,062.93**	725.30
	2,228.43	2,042.59
Considered doubtful	**0.19**	0.19
Less: Provision for doubtful deposits	**(0.19)**	(0.19)
	2,228.43	2,042.59
	16,736.11	16,735.14
Share of interest in Joint Ventures	**1,217.59**	511.17
Total	**17,953.70**	17,246.31

* Include :

Due from Officers : **Rs.200.31 million** (previous year Rs.182.74 million)
Maximum balances : **Rs.211.56 million** (previous year Rs.191.82 million)

Due from Directors : **Rs.2.74 million** (previous year Rs.1.50 million)
Maximum balances : **Rs.2.88 million** (previous year Rs.1.99 million)

@ Deposit with Excise includes **Rs.136.21 million** (previous year Rs.209.70 million) regarding Cenvat credit on capital goods withheld by Excise Department for utilisation and under litigation and service tax deposit under protest **Rs.3.16 million** (previous year Rs.3.16 million).

** Includes an amount of **Rs.81.72 million** (previous year Rs.82.68 million) alongwith interest of **Rs.83.96 million** (previous year Rs.83.96 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES (CONSOLIDATED)

	Rs. Million	31/03/2007 Rs. Million
Current Liabilities :		
Sundry creditors		
Total outstanding dues of micro and small enterprises #	**3.41**	—
Total outstanding dues of creditors other than micro and small enterprises	**97,429.41**	66,497.60
Materials taken on loan	**0.05**	0.04
Less : Deposits given	**(0.05)**	(0.04)
Deposits from Customers	**157.21**	93.27
Deposits for Containers	**31,064.79**	28,744.26
Advance received towards sale of investments	—	377.13
Unclaimed Dividend*	**31.78**	33.05
Unclaimed Deposits*	**5.84**	9.10
Unclaimed Interest on Deposits*	**1.18**	1.67
Other liabilities	**16,217.25**	13,205.56
Interest on loans (accrued but not due)	**793.38**	188.81
	145,704.25	109,150.45
Share of interest in Joint Ventures	**2,635.88**	1,014.45
Total	**148,340.13**	110,164.90

The figure as on 31st March 2007 includes Rs.209.37 million due to Small Scale Industries (SSI's)

* No amount is due at the end of the year for credit to Investors Education and Protection Fund.

SCHEDULE 'M' — PROVISIONS (CONSOLIDATED)

	Rs. Million	31/03/2007 Rs. Million
Provision for Taxation (Net of Tax paid)	**3,299.37**	2,688.81
Proposed dividend *	**2,010.40**	4,296.62
Corporate Dividend Tax on proposed dividend	**341.65**	926.99
Provision for employee / retirement benefits	**5,129.75**	3,888.53
	10,781.17	11,800.95
Share of interest in Joint Ventures	**404.19**	146.92
Total	**11,185.36**	11,947.87

* Includes **Rs.564.23 million** (previous year Rs. 681.20 million) being the share of Minority Interest in the proposed dividend of Numaligarh Reifinery Limited.

SCHEDULE 'N' — SALE OF PRODUCTS (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
Sales	**1,131,630.80**	1,023,289.64
Subsidy on LPG (Domestic) & SKO (PDS)	**5,544.38**	5,293.36
Oil Marketing Companies GOI Special Bonds	**85,895.00**	52,479.00
(refer note 2 of Schedule 'X'-B)	**1,223,070.18**	1,081,062.00
Share of interest in Joint Ventures	**8,726.69**	9,727.38
Total	**1,231,796.87**	1,090,789.38

SCHEDULE 'O' — MISCELLANEOUS INCOME (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
Interest on bank deposits and others *	**811.93**	811.56
Tax deducted at source - **Rs. 69.23 million** (previous year Rs. 56.64 million)		
Income from Investments		
Current		
Interest on Oil Marketing Companies GOI Special Bonds	**4,546.76**	2,873.04
Interest - Others	**32.23**	15.72
Dividend	—	4.07
Long Term		
Interest	**51.74**	61.85
Dividend	**218.18**	5.25
Income from AOP (Petroleum India International)	**13.25**	36.58
Profit on sale of Long term Investments	**1,560.72**	—
Write back (net)	**7.23**	6.36
Reversal of provision for doubtful debts and advances	**17.05**	—
Foreign Exchange fluctuations (net)	**2,551.56**	188.10
Other income #	**3,302.45**	2,775.11
	13,113.10	6,777.64
Share of interest in Joint Ventures	**119.83**	108.80
Total	**13,232.93**	6,886.44

* Includes interest received from Income tax authorities **Rs. Nil** (previous year Rs. 280.47 million)

Includes amortisation of capital grants **Rs.0.94 million** (previous year Rs. 1.02 million)

SCHEDULE 'P' — INCREASE/(DECREASE) IN INVENTORY (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
Value of closing stock of		
Finished goods	**66,603.30**	70,890.80
Stock in process	**6,795.43**	5,669.55
	73,398.73	76,560.35
Less :		
Value of opening stock of		
Finished goods	**70,890.80**	69,915.10
Stock in process	**5,669.55**	5,424.44
	76,560.35	75,339.54
	(3,161.62)	1,220.81
Share of interest in Joint Ventures	**0.02**	(9.55)
Total	**(3,161.60)**	1,211.26

SCHEDULE 'Q' - RAW MATERIALS CONSUMED (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
Opening Stock	**16,413.46**	21,066.28
Add : Purchases	**580,438.78**	474,514.32
Less: Closing Stock	**(39,431.81)**	(16,413.46)
	557,420.43	479,167.14
Share of interest in Joint Ventures	**6,958.02**	7,726.14
Total	**564,378.45**	486,893.28

SCHEDULE 'R' — CONSUMPTION OF STORES, SPARES AND MATERIALS (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
Stores, spares and materials	**1,648.29**	2,009.37
Less : Charged to other revenue accounts	**(838.17)**	(1,184.38)
	810.12	824.99
Share of interest in Joint Ventures	**38.38**	42.42
Total	**848.50**	867.41

SCHEDULE 'S' — POWER AND FUEL (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
Power and Fuel	**26,692.59**	22,719.14
Less: Consumption of fuel out of own production	**(26,060.73)**	(22,037.60)
	631.86	681.54
Share of interest in Joint Ventures	**33.93**	90.07
Total	**665.79**	771.61

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
Salaries and wages (refer note 7 of Schedule 'X'-B)	**10,516.04**	7,899.35
Contribution to provident fund	**634.79**	559.93
Contribution to gratuity fund	**98.59**	138.55
Contribution to other funds	**109.71**	359.09
Welfare expenses	**2,143.78**	1,558.32
	13,502.91	10,515.24
Share of interest in Joint Ventures	**65.61**	160.52
Total	**13,568.52**	10,675.76

SCHEDULE 'U' — INTEREST (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
On Bonds	**—**	73.91
On Fixed Loans	**1,694.26**	1,523.57
Others	**5,262.84**	3,934.75
	6,957.10	5,532.23
Share of interest in Joint Ventures	**191.81**	224.57
Total	**7,148.91**	5,756.80

SCHEDULE 'V' — OTHER OPERATING AND ADMINISTRATION EXPENSES (CONSOLIDATED)

	Rs.Million	2006-07 Rs.Million
Repairs and maintenance :		
Machinery	**2,426.29**	2,600.51
Building	**252.26**	203.53
Others	**1,131.22**	1,012.07
	3,809.77	3,816.11
Insurance	**309.43**	312.47
Rent	**1,432.42**	1,489.58
Rates and taxes	**353.62**	378.36
Charities and donations	**37.09**	48.61
Remuneration to auditors	**2.87**	2.92
Utilities	**1,046.49**	848.46
Write off :		
Bad debts and Claims	**54.31**	0.47
Less : Provision made earlier	**(52.49)**	—
Others	**43.50**	157.39
Less : Provision made earlier	**—**	(51.56)
Provision for :		
Doubtful debts and advances	**—**	547.22
Diminution in value of investments	**1,943.70**	1,175.24
Charges paid to other oil companies	**627.34**	571.00
Travelling and conveyance	**1,292.21**	1,016.58
Telephone, Telex, Cables, Postage etc.	**255.61**	254.54
Loss on sale of current Investments	**1,080.60**	421.69
Loss on sale / write off of Fixed Assets(net)	**10.63**	12.00
Brokerage on Public Deposit	**0.01**	0.16
Other expenses	**6,708.29**	4,577.55
	18,955.40	15,578.79
Share of interest in Joint Ventures	**305.62**	446.80
Total	**19,261.02**	16,025.59

SCHEDULE 'W' - PRIOR PERIOD INCOME/(EXPENSES) (NET) (CONSOLIDATED)

	Rs. Million	2006-07 Rs. Million
Sale of products	**440.12**	143.66
Miscellaneous Income	**25.42**	(6.58)
Purchase of product for resale	**1,056.98**	74.34
Raw Materials Consumed	**106.60**	43.08
Duties taxes etc. and other product charges	**(169.02)**	(5.97)
Transportation	**56.81**	39.42
Consumption of stores spares and materials	**18.34**	(11.41)
Rent, Rates & Taxes	**56.00**	(16.93)
Employees' remuneration and other benefits	**(91.65)**	—
Other operating and administration expenses	**(15.00)**	116.75
Interest	**(145.78)**	(2.36)
Depreciation	**(5.39)**	(2,348.46)
	1,333.43	(1,974.46)
Share of interest in Joint Ventures	**—**	—
Total	**1,333.43**	(1,974.46)

SCHEDULE 'X' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (CONSOLIDATED)

A) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF CONSOLIDATION :

The Consolidated Financial Statements relate to Bharat Petroleum Corporation Limited (the Company), its subsidiary companies and the interest of the Company in joint ventures, in the form of jointly controlled entities.

(a) Basis of accounting:

(i) The Financial Statements of the subsidiary companies and the joint venture companies (JVCs) used in the preparation of the Consolidated Financial Statements are drawn upto the same reporting date as that of the Company i.e. 31st March, 2008.

(ii) The Consolidated Financial Statements have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, and generally accepted accounting principles.

(b) Principles of Consolidation:

The Consolidated Financial Statements have been prepared on the following basis:-

(i) The Financial Statements of the Company and its subsidiary companies (which are not in the nature of joint ventures) have been consolidated on a line–by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. The intra group balances and intra group transactions and unrealised profits or losses resulting from intra group transactions are fully eliminated.

(ii) The Consolidated Financial Statements include the interest of the Company in JVCs, which has been accounted for using the proportionate consolidation method of accounting and reporting whereby the Company's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is considered as separate line items in the Consolidated Financial Statements.

(iii) The share of equity in the subsidiary companies as on the date of investment, being in excess of the cost of investment of the Company, the difference is recognised as "Capital Reserve on Acquisition of Subsidiaries" and shown under the head "Reserves and Surplus" in the Consolidated Financial Statements.

(iv) Minority interest in the Net Asset of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders as on the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity subsequent to the dates of investments as stated above.

(c) The subsidiary companies and the JVCs which are included in consolidation and the percentage of ownership interest therein of the Company as on 31st March 2008 are as under :

	Percentage of ownership interest as on		Country of Incorporation
	31/03/2008	31/03/2007	
Subsidiaries			
Numaligarh Refinery Limited (NRL)	**61.65**	62.96	India
Bharat PetroResources Limited (BPRL)	**100.00**	100.00	India
Bharat PetroResources JPDA Limited *	**100.00**	100.00	India
Joint Venture Companies (JVC)			
Indraprastha Gas Limited	**22.50**	22.50	India
Bharat Shell Limited	—	49.00	India
Petronet CCK Limited	**49.00**	49.00	India
Petronet LNG Limited	**12.50**	12.50	India
Bharat Oman Refineries Limited	**50.00**	50.00	India
Central UP Gas Limited	**22.50**	22.50	India
Maharashtra Natural Gas Limited	**22.50**	22.50	India
Sabarmati Gas Limited	**25.00**	25.00	India
Bharat Stars Services Private Limited	**50.00**	—	India

* Stake held indirectly through 100% subsidiary Bharat Petro Resources Limited.

Notes:

(i) Proportionate consolidation in respect of Investment in Premier Oil Cachar B.V. has not been incorporated in the preparation of Consolidated Financial Statements as the investment in the joint venture is held for disposal.

(ii) Proportionate consolidation in respect of Investment in Petronet India Limited, Petronet CI Limited, VI eTrans Private Limited and Petroleum Infrastructure Limited have not been considered in the preparation of Consolidated Financial Statements as the Management has provided for full diminution in the value of Investment.

(iii) The accounts of Indraprastha Gas Limited and Central UP Gas Limited are yet to be audited and hence the unaudited accounts have been considered for the purpose of preparation of Consolidated Financial Statements.

(iv) During the year, BPCL has sold -

a) 1.31% share in Numaligarh Refinery Limited.

b) Entire stake of 49% in Bharat Shell Limited and hence Bharat Shell Limited has not been considered for the purposes of consolidation.

Therefore the opening balance of reserves have been accordingly adjusted. To this extent the previous year's figures are not comparable.

(v) BPCL ownership in Central UP Gas Limited has been considered at 22.50% as per the Joint Venture Agreement. The actual percentage of Share Capital as on 31st March 2008 held by BPCL is marginally higher. The management is of the opinion that it is a temporary phase and the other joint venture partner will contribute their share of the equity capital as per the Joint Venture Agreement. This excess contribution by BPCL in the Equity share Capital amounting to **Rs. 6.75 million** (previous year Rs. 6.50 million) is included in "Advances Recoverable in cash or in kind or for value to be received" - Schedule K.

2. BASIS FOR PREPARATION

The financial statements are prepared under historical cost convention to comply in all material aspects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, adopting accrual system of accounting unless otherwise stated.

3. USE OF ESTIMATES

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual amounts and estimates are recognised in the period in which they materialise.

4. FIXED ASSETS

4.1 LAND

Land acquired on lease where period of lease exceeds 99 years is treated as freehold.

4.2 FIXED ASSETS OTHER THAN LAND

4.2.1. Fixed Assets are stated at cost of acquisition (including incidental expenses) less accumulated depreciation.

4.2.2. Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding Rs.1,000 per item is charged to revenue.

4.2.2. Machinery spares that are specific to a fixed asset are capitalised along with the fixed asset. Replacement of such spares is charged to revenue.

4.3 EXPENDITURE DURING CONSTRUCTION PERIOD

Direct expenses including borrowing cost incurred during construction period on capital projects are capitalised. Indirect expenses of the project group which are allocated to projects costing Rs.50 million and above are also capitalised. Crop compensation expenses incurred in the process of laying pipelines are capitalised.

4.4 INTANGIBLE ASSETS

4.4.1. Cost of right of way that is perennial in nature are not amortised.

4.4.2. Expenditure incurred for creating/acquiring other intangible assets of Rs.5 million and above, from which future economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit.

4.4.3. In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

4.4.4. In case of Indraprastha Gas Limited, Central UP Gas Limited and Petronet LNG Limited, the entiire expenditure incurred on intangible assets is capitalised and amortised over a period of 5 years by Indraprastha Gas Limited and Central UP Gas Limited and 3 years in case of Petronet LNG Limited.

5. IMPAIRMENT OF ASSETS

The values of fixed assets in respect of Cash Generating Units are reviewed by the management for impairment at each Balance Sheet date if events or circumstances indicate that the carrying values may not be recoverable. If the carrying value is more than the net selling price of the asset or present value, the difference is recognized as an impairment loss.

6. BORROWING COSTS

Borrowing costs attributable to acquisition, construction or production of qualifying asset are capitalised as part of the cost of that asset, till the month in which the asset is ready for use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

7. DEPRECIATION

7.1 Depreciation on fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956, except in following cases:

7.1.1. Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.

7.1.2. LPG cylinders, pressure regulators and other fixed assets costing not more than Rs. 5,000 each are depreciated @ 100 percent in the year of capitalisation.

7.1.3. Assets not owned by the Corporation are amortised over a period of five years from the year of capitalisation.

7.1.4. Computer equipments and peripherals, and mobile phones are depreciated over a period of 4 years. Furniture provided at the residence of management staff is depreciated over a period of seven years.

7.2 In case of Indraprastha Gas Limited, the depreciation in case of the following assets has been provided using the straight line method over the useful life of the assets:

(a) Mother compressors, Online compressors and Booster compressors – 7 years
(b) Bunkhouses – 5 years
(c) Signages - 10 years

7.3. In case of Maharashtra Natural Gas Limited, depreciation is charged on a pro-rata basis on the straight line method over the estimated useful lives of the assets determined as follows:

(a) Mother Compressors, Online Compressors and Booster Compressors – 7 years
(b) Bunk hoses – 5 years
(c) Signages – 10 years
(d) Computers and Mobile Phones – 4 years

7.4. In case of Bharat Stars Services Private Limited depreciation has been provided under written down value method and assets upto gross value of Rs. 10,000 are depreciated at 100%. Depreciation is provided at full year basis on additions upto 30th September and at 50% on assets after 30th September.

7.5. Depreciation is charged on addition / deletion on pro-rata monthly basis including the month of addition / deletion.

8. INVESTMENTS

8.1. Current investments are valued at lower of cost or fair market value.

8.2. Long-term investments are valued at cost. Provision for diminution is made to recognise a decline, other than of temporary nature, in the value of such investments.

9. INVENTORY

9.1. Raw material and Intermediates are valued at cost or net realisable value whichever is lower. Cost is determined as follows:

9.1.1. Raw materials on weighted average cost.

9.1.2. Intermediate Stocks at raw material cost plus cost of conversion.

9.2. Finished products are valued at weighted average cost or at net realisable value, whichever is lower. In case of Indraprastha Gas Limited, Maharashtra Natural Gas Limited and Central UP Gas Limited the cost is determined on first-in-first-out basis.

9.3. Stores are valued at weighted average cost except in case of Maharashtra Natural Gas Limited and Petronet CCK Limited where the valuation is on the basis of first-in-first-out. Obsolete stores are valued at Re. Nil. Slow moving stores/ other materials identified as surplus and no longer usable are valued at Re. Nil.

9.4. Packages are valued at weighted average cost or at net realisable value, whichever is lower.

10. REVENUE RECOGNITION

10.1. Sales are net of trade discounts and include, inter alia, excise / customs duties / claim from Petroleum Planning and Analysis Cell, Government of India and other elements allowed by the Government from time to time.

10.2. Claims/Surrenders including subsidy on LPG and SKO on/to Petroleum Planning and Analysis Cell, Government of India are booked on `in principle acceptance' thereof on the basis of available instructions/ clarifications subject to final adjustments after necessary audit, as stipulated. Adjustments if any, on completion of audit are recognised.

10.3. Other claims are booked when there is a reasonable certainty of recovery. Claims are reviewed on a periodical basis and if recovery is uncertain, provision is made in the accounts.

10.4. Income from sale of scrap is accounted for on realisation.

11. CLASSIFICATION OF INCOME/EXPENSES

11.1. Expenditure on Research, other than capital expenditure, is charged to revenue in the year the expenditure is incurred.

11.2. Income/expenditure upto Rs. 0.50 million in each case pertaining to prior years is charged to the current year except in case of Indraprastha Gas Limited, Petronet LNG Limited, Petronet CCK Limited, Bharat Oman Refineries Limited, Central UP Gas Limited, Maharashtra Natural Gas Limited, Sabarmati Gas Limited and Bharat Stars Services Private Limited wherein no such policy exists.

11.3. Prepaid expenses upto Rs. 0.01 million in each case, are charged to revenue as and when incurred except in case of Indraprastha Gas Ltd, Petronet LNG Limited, Central UP Gas Limited, Maharashtra Natural Gas Limited,Sabarmati Gas Limited and Bharat Stars Services Private Limited wherein no such policy exists.

11.4. Deposits placed with Government agencies/ local authorities which are perennial in nature are charged to revenue in the year of payment except in case of Petronet LNG Limited, Petronet CCK Limited, Central UP Gas Limited, Sabarmati Gas Limited and Bharat Stars Services Private Limited wherein no such policy exists.

12. EMPLOYEE BENEFITS

12.1. Contributions to Provident Fund for the year are recognised in the Profit & Loss Account.

12.2. The liability towards gratuity, leave encashment, post retirement benefits and other long term benefits are provided for in the accounts based on actuarial valuation as at the end of the year. To determine the present value of the defined benefit obligations and the current and past service costs, the Projected Unit Credit Method is used. Actuarial gains and losses are recognised in the Profit and Loss Account as income or expense.

13. DUTIES ON BONDED STOCKS

13.1. Customs duty on Raw materials/Finished goods lying in bond are provided for at the applicable rates except where liability to pay duty is transferred to consignee.

13.2. Excise duty on Finished stocks lying in bond is provided for, at the assessable value applicable at each of the locations at maximum rates based on end use.

14. FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

14.1. Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction.

14.2. Monetary items denominated in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet.

14.3. Foreign Exchange differences arising at the time of translation or settlement are recognised as income or expense in the Profit & Loss Account either under foreign exchange fluctuations or interest as the case may be.

Premium/discount arising at the inception of the forward exchange contracts entered into to hedge foreign currency risks are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Profit & Loss account.

14.4. Gains / losses arising on settlement of Derivative transactions entered into by the Corporation to manage the commodity price risk and exposures on account of fluctuations in interest rates and foreign exchange are recognised in the Profit and Loss account. Provision for losses in respect of outstanding contracts as on balance sheet date is made based on mark to market valuations of such contracts.

15. GOVERNMENT GRANTS

15.1. In case of depreciable assets, the cost of the asset is shown at gross value and grant thereon is taken to Capital Reserve as deferred income, which is recognised in the Profit and Loss Account over the useful life of the asset.

15.2. Government grants of the nature of promoters' contributions are credited to Capital Reserve and treated as part of Shareholders' Funds.

16. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

16.1. Provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

16.2. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.

16.3. Capital commitments and Contingent liabilities disclosed are in respect of items which exceed Rs. 0.10 million in each case except in case of Indraprastha Gas Limited, Petronet CCK Limited and Sabarmati Gas Limited the same are disclosed in full.

16.4. Contingent liabilities are considered only on conversion of show cause notices issued by various Government authorities into demand.

17. TAXES ON INCOME

17.1. Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.

17.2. Deferred tax on account of timing difference between taxable and accounting income is provided using the tax rates and tax laws enacted or substantively enacted by the Balance Sheet date.

17.3. Deferred tax assets are not recognised unless, in the management judgement there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

18. OIL & GAS EXPLORATION ACTIVITIES

18.1. BPCL follows the "Successful Efforts Method" of accounting for Oil & Gas exploration and production activities. However, Bharat PetroResources Limited follows the "Full Cost Method" of accounting for Oil and Gas exploration and production activities.

18.2. The proportionate share in the assets, liabilities, income and expenditure of joint venture operations are accounted as per the participating interest in such joint venture operations.

19. MISCELLANEOUS EXPENDITURE

In case of Bharat PetroResources Limited, Sabarmati Gas Limited, Central UP Gas Limited and Petronet CCK Limited, preliminary and defered revenue expenditue are written off /amortised over a period of 5 years and in case of Maharashtra Natural Gas Limited over a period of 3 years.

Preliminary expenses and corporate expenses of Bharat Oman Refineries Limited will be written-off / amortised in the year the company commences commercial production. Share issue expenses of Bharat Oman Refineries Limited would be either written-off or adjusted against the Securities Premium Account.

In case of Bharat Stars Services Private Limited, preliminary expenditure will be written off fully in the year of commencement of commercial operation.

B. NOTES FORMING PART OF ACCOUNTS

1. In respect of sharing of under-recoveries on sensitive petroleum products viz. MS, HSD, LPG (Domestic) and SKO (PDS), as advised by the Ministry of Petroleum & Natural Gas, a part of the under-recovery suffered by the Oil Marketing Companies during the year was compensated by ONGC and GAIL by offering discount on price of Crude Oil, SKO and LPG purchased from them. Accordingly, BPCL has accounted the discount as follows:

a) **Rs. 52,430.26 million** (previous year Rs.37,137.43 million) discount on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) **Rs.7,320.94 million** (previous year Rs.7,484.62 million) discounts on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

2. In lieu of the under-recoveries on sale of sensitive petroleum products during 2007-08, based on the approval of Government of India, BPCL has accounted for Oil Marketing Companies Government of India Special Bonds amounting to **Rs. 85,895.00 million** (previous year Rs.52,479.00 million) as income. This compensation has been received in the form of Oil Marketing Companies Government of India Special Bonds amounting to **Rs. 46,180.50 million** (Previous year Rs. 52,479.00 million) and accounted for as investments. The balance amount of **Rs. 39,714.50 million** (Previous year Rs. Nil) which is receivable as on 31st March 2008 from Government of India is shown as other Current asset in Schedule J.

3. Miscellaneous income includes profit on sale of long term investments as follows :

	Rs.Million
Stake sale of 49% share in Bharat Shell Limited, a Joint Venture Company	1,279.00
Sale of 1.31% share in Numaligarh Refinery Limited, a Subsidiary Company	280.70
Total Profit on sale of Long term investments	1,559.70

4. As per the scheme of Amalgamation of the erstwhile Kochi Refineries Limited with BPCL approved by the Government of India, 33,728,738 equity shares of BPCL were allotted (in lieu of the shares held by BPCL in the erstwhile Kochi Refineries Limited) to a trust for the benefit of BPCL in the financial year 2006-07. Accordingly the cost of the original investment of Rs.6,591.02 million is reflected as 'Others' in Schedule 'J' - Other Current Assets. The income distributed by the trust during the year 2007-08 amounting to **Rs.337.29 million** (previous year Rs. 286.69 million) has been included in 'Other income' in Schedule 'O' – Miscellaneous Income.

One shareholder of erstwhile KRL has challenged the amalgamation before Delhi High Court, which is pending adjudication.

5. Provision for taxation in the Profit and Loss Account includes **Rs. 11.08 million** (previous year Rs. 8.04 million) towards wealth tax.

6. BPCL and Numaligarh Refinery Limited have numerous transactions with other oil companies, which are reconciled on an ongoing basis and are subject to confirmation. Adjustments, if any, arising therefrom are not likely to be material.

7. Provision has been made in respect of pay revision due to Management staff of BPCL w.e.f. 1st January 2007 at an estimated amount of Rs.1,290.00 million based on the available information and judgement. This is inclusive of adhoc amount of Rs. 434.58 million paid to the Management staff for the period January 2007 to March 2008. Further an amount of Rs.411.90 million is also provided towards accumulated leave encashment benefit based on actuarial valuation considering the impact of pay revision.

8. Provision has not been made in the accounts towards revision in salary of workmen at Mumbai Refinery of BPCL w.e.f. 1st January 2007 as the additional liability arising from such revision is unascertainable.

In case of Numaligarh Refinery Limited, no provision has been made in the accounts for revision in wages of Workmen / Management staff except to the extent of Adhoc relief paid or payable.

9. Impairment of Assets

Determination as to whether and how much an asset is impaired involve Management estimates of highly uncertain matters such as international prices of crude oil and products, duty structure and Government policies. It is assumed that suitable mechanism would be in place, in line with earlier/ current year(s), to provide compensation towards under-recoveries of margin, if any, on account of sale of sensitive petroleum products in subsequent years. Hence, future cash flows have been worked out based on the desired margins for deciding on impairment of related Cash Generating Units. No impairment is therefore considered as at 31st March 2008. In view of the peculiar nature of the environment in which the industry operates and the assumptions being technical and dependent on Government policies, the auditors have relied on the same.

10. The total impact in case of implementation of Accounting Standard 15 - "Employee Benefits" is Rs. 369.50 million out of which Rs.15.60 million has been accounted in the current year. The balance of Rs. 353.90 million is on account of transitional provisions. After adjusting deferred tax asset of Rs.120.29 million relating to this provision, the net impact of Rs.233.61 million has been adjusted against opening balance of General Reserve.

Further, in case of Numaligarh Refinery Limited, an amount of Rs. 15.52 million has been adjusted against opening balance of General Reserve.

11. In compliance with Accounting Standard - 17, "Segment Reporting" issued by the Institute of Chartered Accountants of India, the segment information is as under:

I The group is engaged in the following business segments:

a) Downstream petroleum i.e. Refining and Marketing of Petroleum Products

b) Exploration and Production of Hydrocarbons

Segments have been identified taking into account the nature of activities and the nature of risks and returns.

II There are no geographical segments.

III Segment-wise details are as follows:

(Rs. Million)

	Year ended 31st March 2008			Year ended 31st March 2007		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Revenue						
External Revenue #	**1,118,429.22**	—	**1,118,429.22**	987,270.68	—	987,270.68
Inter Segment Revenue	—	—	—	—	—	—
Total Revenue	**1,118,429.22**	—	**1,118,429.22**	987,270.68	—	987,270.68
Result						
Segment Results	**33,552.10**	**(413.23)**	**33,138.87**	37,636.05	(395.11)	37,240.94
Unallocated Corporate Expenses	—	—	—	—	—	—
Operating profit	**33,552.10**	**(413.23)**	**33,138.87**	37,636.05	(395.11)	37,240.94
Add:						
Interest / Dividend Income			**5,674.09**			3,808.07
Profit on sale of Long term Investments			**1,560.72**			—
Less:						
Interest Expenditure			**7,148.91**			5,756.80
Loss on sale of current Investments			**1,080.60**			421.69
Diminution in value of Investments			**1,943.70**			1,175.24
Income Tax (including deferred Tax)			**11,075.22**			10,136.48
Profit after Tax			**19,125.25**			23,558.80
Other Information						
Segment Assets	**333,622.74**	**1,517.54**	**335,140.28**	293,835.77	0.72	293,836.49
Unallocated Corporate Assets			**140,826.41**			80,851.49
Total Assets			**475,966.69**			374,687.98
Segment Liabilities	**148,138.29**	**201.84**	**148,340.13**	110,164.90	—	110,164.90
Unallocated Corporate Liabilities			**189,951.53**			143,239.49
Total Liabilities			**338,291.66**			253,404.39
Capital Expenditure	**33,012.46**	**1,215.39**	**34,227.85**	22,090.30	—	22,090.30
Depreciation/ Amortisation	**12,919.35**	**1.69**	**12,921.04**	11,020.77	—	11,020.77
Non-cash expenses other than depreciation	**0.63**	**5.05**	**5.68**			1.10

Segment Revenue comprises of Turnover (net of excise duties), Subsidy received from the Government of India and other income (excluding dividend, interest income and investment income).

12. Related Party Disclosures as per Accounting Standard 18

i) **Key Management Personnel** (Whole Time Directors) — M/s. Ashok Sinha (Chairman & Managing Director), S. A. Narayan (Director HR), S. Radhakrishnan (Director Marketing), S. K. Joshi (Director Finance), R. K. Singh (Director Refineries)

ii) Remuneration to key management personnel: **Rs. 10.48 million** (previous year Rs. 8.42 million).

13. Earnings per share

		2007-08	2006-07
Profit after Tax	Rs. Million	**17,695.52**	21,451.95
Weighted average shares outstanding during the year	Million nos.	**361.54**	361.54
Basic earnings per share	Rs.	**48.94**	59.33
Diluted earnings per share	Rs.	**48.94**	59.33

14. Deferred Tax Liability

As per the requirement of the Accounting Standard 22 - "Accounting for Taxes on Income" the net deferred tax liability debited to Profit during the year is **Rs. 587.02 million** (previous year deferred tax asset credited Rs. 60.94 million). The year end position of Deferred Tax Liability and Assets is given below :

	Rs. Million	31/03/2007 Rs. Million
DEFERRED TAX LIABILITY		
Depreciation	**21,238.24**	20,222.30
Other Timing Differences	**3.44**	42.09
Share of Interest in Joint Ventures	**400.64**	417.58
Total	**21,642.32**	20,681.97
DEFERRED TAX ASSETS		
Disallowances u/s 43B of Income Tax Act,1961	**2,068.26**	1,491.13
Provisions for doubtful debts, claims, employee benefits, etc.	**1,402.17**	1,448.27
Expenditure on Voluntary Retirement Scheme	**28.09**	56.01
Other Timing Differences	**33.18**	8.53
Share of Interest in Joint Ventures	**2.70**	52.65
Total	**3,534.40**	3,056.59
Net Deferred Tax Liability	**18,107.92**	17,625.38

In the absence of virtual certainty regarding sufficient future profits required for taking credit, deferred tax asset has not been recognised in respect of unabsorbed depreciation / business losses of Bharat PetroResources Limited and Petronet CCK Limited.

15. Miscellaneous Expenditure (to the extent not written-off)

	Rs. Million	31/03/2007 Rs. Million
Pre-incorporation expenses	**25.23**	—
Less: Written off during the year	**5.05**	—
	20.18	—
Share of Interest in Joint Ventures	**30.34**	8.53
Total	**50.52**	8.53

16. As indicated in Significant Accounting Policies, certain accounting policies of JVCs towards Depreciation, Inventory Valuation, Employee Benefits and Classification of Income/ Expenses are not in line with that followed by BPCL. However, considering the nature of transactions and amounts involved, the impact is not expected to be material had the accounting policy of BPCL been followed.

17. In respect of accounting of Oil & Gas exploration and production activities, had Bharat PetroResources Limited adopted the "Successful Efforts Method" of BPCL the consolidated profits would have been lower by Rs. 742.76 million.

18. **Change in Accounting Policies:**

a) Bharat Oman Refineries Limited has changed the method of providing depreciation on fixed assets from Written Down Value method to Straight Line Method at the rates and manner provided under Schedule XIV to the Companies Act, 1956. Had the company continued to provide depreciation on fixed assets based on written down value method, the depreciation for the year would have been higher by Rs. 4.36 million (without considering the amount written back).

b) Pursuant to change in accounting policy by Numaligarh Refinery Limited regarding deposits placed with the Government agencies / local authorities, an amount of Rs. 0.48 million has been charged to revenue with corresponding reduction in the profit for the year by the same amount.

c) Due to change in accounting policy by Numaligarh Refinery Limited on provision for excise duties on bonded finished stocks, an additional amount of Rs. 48.81 million has been provided for with corresponding increase in valuation of closing stock. This has no impact on the profits of the company.

19. Capital Reserve on acqusition of subsidiaries includes Rs. 616.54 million being the share of the group out of grant of Rs. 1,000 million received by Numaligarh Refinery Limited from the Government of India during the project period.

20. Bharat PetroResources Limited was incorporated on 17th October 2006 and Bharat Stars Services Private Limited was incorporated on 13th September 2007. For both the companies this is the first financial year for which accounts have been prepared.

21. In respect of certain Subsidiaries and JVCs, the following notes to accounts are disclosed:

Numaligarh Refinery Limited

a. Raw material consumption in case of Numaligarh Refinery Limited is after adjustment of the additional transportation cost of crude oil and other incidentals thereof to Bongaigaon Refinery and Petrochemicals Limited. This was required to be shared equally by all the refineries in Assam. Numaligarh Refinery Limited's share of the said transportation cost has been treated as crude cost and also considered for valuation of stock.

b. In case of Numaligarh Refinery Limited, purchase of crude oil from ONGC and Oil India Limited has been accounted for provisionally pending finalization of agreements with respective parties. Adjustments if any, will be made on finalisation of agreements. However, during the year, an amount of **Rs. 3,667.30 million** (previous year Rs. 1,544.73 million) has been charged towards crude oil cost for pipeline transportation and sales tax reimbursements including Rs. 956.88 million on account of previous year paid or payable to these parties as per directive from MOP&NG.

c. An amount of **Rs. 1,652.36 million** (previous year Rs. 2,039.82 million) has been charged to Profit & Loss Account by Numaligarh Refinery Limited towards under-recovery of CST on petroleum products moved out of the state of Assam.

d. Tax provision of the current year of Numaligarh Refinery Limited has been made after considering the carry forward tax credit available under Section 115JAA of the Income Tax Act. Until last year, Numaligarh Refinery limited was eligible for 100% Income tax exemption and were providing for income tax as per Section 115JB of the Income Tax Act.

Bharat PetroResources Limited

e. Bharat PetroResources Limited along-with an Indian partner (equal share) has bid for acquisition of Encana Brasil Petroleo Limitada, a subsidiary of Encana Canada holding participating interest in 4 exploratory concessions in Brazil for a bid price of USD 165 million. The Share Sale Agreement has been signed and the completion of the transaction is conditional to certain regulatory approvals.

Bharat Oman Refineries Limited

f. Bharat Oman Refineries Limited is setting up a refinery at Bina, Madhya Pradesh, India. No Profit and Loss Account has been prepared since the Company has not commenced commercial operations. The expenditure incurred during the construction period is classified as "Pre-operative expenditure pending capitalization" and grouped under Capital Work-in-Progress (Schedule E). Income earned (net of provision for income tax) during the construction period has been applied to reduce the capital cost of the project.

The Company intends to capitalise a major part of this expenditure when commercial operations begin. The amount to be capitalised or treated as revenue expenditure will be determined in accordance with the generally accepted accounting principles.

g. Bharat Oman Refineries Limited has provided for a claim of Rs. 11.77 million made by one of the joint venture partner for certain expenses related to project management in prior years under the terms of the Memorandum of Understanding and Joint Venture Agreement between the joint venture companies. Further, the joint venture company has confirmed that the aforesaid amount is a full and final settlement against the expenses incurred under the said agreement.

h. In case of Bharat Oman Refineries Limited, as per the terms of the Memorandum of Understanding entered between the Company and Government of Madhya Pradesh, the Company has to allot equity shares worth Rs. 269.00 million to Government of Madhya Pradesh at a price not more than the price at which the shares have been allotted to the promoters in lieu of cost of government land that has been transferred to the Company. As the shares have not been allotted as at 31st March 2008, this amount has been disclosed as "Share Application Money".

i. Bharat Oman Refineries Limited had received Rs. 9,000.00 million from Bharat Petroleum Corporation Limited (BPCL) as "Debenture Application Money" in the previous year against proposed issue of convertible Zero Coupon Debentures having face value of Rs. 100 each and compulsorily convertible to 10 equity shares each of Rs. 10 at par within 36 months of issue of these debentures, at the option of the debenture holder. During the year, the Company has converted the "Debenture application money" of Rs. 9,000.00 million into "Share Application Money" towards issue and allotment of equity shares of face value Rs. 10 each to BPCL and/ or its designates, partly at face value and balance at a price to be decided at a later date.

Petronet LNG Limited

j. Petronet LNG Limited has an option to claim deduction under Section 80IA of the Income Tax Act, 1961 in respect of Power Generation and Port Undertaking and also under Section 80IB in respect of its Regasification Undertaking. However, provision for income-tax has been made without considering the aforesaid deductions. The company will review the option at the time of filing its income tax return.

Petronet CCK Limited

k. In case of Petronet CCK Limited, income has been accounted based on tariff rates for usage of pipeline facilities by Oil Companies that are provisional and are under consideration with the Oil companies.

22. The following Oil and Gas blocks are held by Bharat PetroResources Limited / Bharat PetroResources JPDA Limited:

	Country	Participating Interest 31.03.2008
IN INDIA		
Under NELP – IV Block		
KG/DWN/2002/1	India	10.00%
MN/DWN/2002/1	India	10.00%
CY/ONN/2002/2	India	40.00%
Under NELP – VI Block		
KG/DWN/2004/2	India	10.00%
KG/DWN/2004/5	India	10.00%
CY/ONN/2004/1	India	20.00%
CY/ONN/2004/2	India	20.00%
RJ/ONN/2004/1	India	10.00%
OUTSIDE INDIA		
Block No 56	Oman	12.50%
WA/388/P	Australia	20.00%
AC/P32	Australia	20.00%
48/1b & 2c – North Sea	U.K.	25.00%
JPDA 06/103	Australia/Timor*	25.00%

* Block held by Bharat PetroResources JPDA Limited, 100% subsidiary of Bharat PetroResources Limited.

SCHEDULE 'X' — (CONSOLIDATED) (CONTD.)

23. Interests in Joint Ventures

The Group's interest in Joint Ventures, accounted for using proportionate consolidation are:

(Rs. in Million)

			As at 31/03/2008	As at 31/03/2007
I	**ASSETS**			
	1.	Fixed Assets		
		- Gross Block	**6,316.63**	6,094.28
		- Less: Depreciation	**1,683.43**	1,539.76
		- Net Block	**4,633.20**	4,554.52
	2.	Capital work-in-progress	**14,319.16**	3,267.73
	3.	Investments	**1,307.78**	634.71
	4.	Current Assets, Loans and Advances		
		a) Inventories	**166.22**	691.17
		b) Sundry Debtors	**424.58**	588.62
		c) Cash and Bank Balances	**1,149.83**	3,697.65
		d) Other Current Assets	**19.93**	3.95
		e) Loans & Advances	**1,217.59**	511.17
	5.	Miscellaneous Expenditure to the extent not written off or adjusted	**30.34**	8.53
II	**LIABILITIES**			
	1.	Shareholders Funds – Reserves & Surplus	**2,110.09**	1,528.87
	2.	Loan Fund		
		a) Secured Funds	**9,485.56**	3,093.27
		b) Unsecured Funds	**170.86**	118.06
	3.	Deferred Tax – Liability	**397.94**	364.93
	4.	Current Liabilities & Provisions		
		a) Liabilities	**2,635.88**	1,014.45
		b) Provisions	**404.19**	146.92

(Rs. in Million)

			2007-08	2006-07
III	**INCOME**			
	1.	Sales and related income	**8,726.69**	9,727.38
		Excise Duty	**(243.40)**	(497.94)
			8,483.29	9,229.44
	2.	Miscellaneous Income	**119.83**	108.80
	3.	Increase/(Decrease) in Inventory	**0.02**	(9.55)
IV	**EXPENSES**			
	1.	Purchase of Products for Resale	**811.36**	310.51
	2.	Raw Material Consumed	**6,958.02**	7,726.14
	3.	Packages Consumed	—	115.30
	4.	Excise Duty on Inventory differential	—	8.38
	5.	Transportation	—	104.00
	6.	Consumption of stores, spares and materials	**38.38**	42.42
	7.	Power and Fuel	**33.93**	90.07
	8.	Employees' remuneration and other benefits	**65.61**	160.52
	9.	Interest	**191.81**	224.57
	10.	Other operating and administration expenses	**305.62**	446.80
	11.	Depreciation / Amortisation	**361.03**	382.28
	12.	Miscellaneous Expenditure Written off	**0.63**	1.10
	13.	Profit before Taxation	**(163.25)**	(283.40)
	14.	Provision for Taxation		
		a) Current Tax	**486.47**	237.14
		b) MAT Credit	—	(66.63)
		c) Fringe Benefit Tax	**1.41**	8.82
		d) Deferred Tax (Net)	**17.20**	192.31
	15.	Excess/(Short) provision for Taxation in earlier years written back/ provided for	**0.01**	(0.09)
	16.	Profit after Taxation	**(668.33)**	(655.13)

(Rs. in Million)

		As at 31/03/2008	As at 31/03/2007
V	**OTHER MATTERS**		
	1. Contingent Liabilities	**584.65**	414.97
	2. Capital Commitments	**30,779.61**	19,293.53

Numaligarh Refinery Limited has a 26 % participating interest in DNP Limited and 10 % participating interest in Brahmaputra Cracker & Polymer Limited. Pending finalisation of accounts by the above companies, proportionate share of assets, liabilities, income, expenses, contingent liabilities and capital commitments are not ascertainable and consequently not reflected above.

24. INTANGIBLE ASSETS

In accordance with Accounting Standard 26 , details of Intangible Assets recognised and amortised during the year are given below:

a) Intangible Assets being amortised

Rs. Million

	USEFUL LIFE	GROSS AMOUNT				AMORTISATION				NET AMOUNT	
Particulars	**(No. Of months)**	As at 01-04-2007	Additions	Deletions/ Reclassi-fication	**As at 31-03-2008**	Upto 31-03-2007	This year	Deletions/ Reclassi-fication	**Upto 31-03-2008**	**As at 31-03-2008**	As at 31-03-2007
(1)	**(2)**	(3)	(4)	(5)	**(6)**	(7)	(8)	(9)	**(10)**	**(11)**	(12)
1. Right of way	**Perennial**	182.19	6.08	1.93	**186.34**	—	—	—	—	**186.34**	182.19
2. Software	**36**	111.87	6.70	—	**118.57**	111.87	1.12	—	**112.99**	**5.58**	—
3. Software	**60**	131.68	86.32	—	**218.00**	46.61	28.87	—	**75.48**	**142.52**	85.07
4. Development rights	**60**	14.97	—	—	**14.97**	6.73	2.99	—	**9.72**	**5.25**	8.24
5. Process license	**60**	328.00	6.48	(38.27)	**372.75**	80.62	84.04	(3.60)	**168.26**	**204.49**	247.38
Total		**768.71**	**105.58**	**(36.34)**	**910.63**	**245.83**	**117.02**	**(3.60)**	**366.45**	**544.18**	**522.88**
Share of interest in joint venture		**97.35**	**8.80**	**—**	**106.15**	**4.71**	**3.67**	**—**	**8.38**	**97.77**	**92.64**
Grand total		**866.06**	**114.38**	**(36.34)**	**1,016.78**	**250.54**	**120.69**	**(3.60)**	**374.83**	**641.95**	**615.52**
Previous year		495.37	276.75	3.41	**768.71**	148.56	98.98	1.70	**245.84**	**522.87**	346.81
Share of interest in joint venture 2006-07		86.72	10.63	—	**97.35**	2.00	2.71	—	**4.71**	**92.64**	84.72
Grand Total 2006-07		582.09	287.38	3.41	**866.06**	150.56	101.69	1.70	**250.55**	**615.51**	431.53

b) Intangible Assets pending amortisation*

Rs. Million

	USEFUL LIFE	GROSS AMOUNT				AMORTISATION				NET AMOUNT	
Particulars	**(No. Of months)**	As at 01-04-2007	Additions	Capitali-sations	**As at 31-03-2008**	Upto 31-03-2007	This year	Deletions/ Reclass-ification	**Upto 31-03-2008**	**As at 31-03-2008**	As at 31-03-2007
(1)	**(2)**	(3)	(4)	(5)	**(6)**	(7)	(8)	(9)	**(10)**	**(11)**	(12)
1. Software		1.67	—	1.67	—	—	—	—	—	—	1.67
Total		**1.67**	—	**1.67**	—	—	—		—	—	**1.67**
Previous Year		43.23	1.67	43.23	**1.67**	—	—	—	—	**1.67**	43.23

* To be amortised from the time the Intangible Asset starts providing economic benefits

Note: There are no internally generated Intangible Assets

25. Capital Commitments and Contingent Liabilities :

		31/03/2007
	Rs. Million	Rs. Million
25.1 Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	**26,563.21**	9,988.09
Share of interest in Joint Ventures	**30,779.61**	19,293.53
Total	**57,342.82**	29,281.62
25.2 Contingent Liabilities :		
(a) In respect of taxation	**2,900.84**	1,631.82
(b) Other Matters :		
i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,522.42**	1,042.43
ii) Claims against the Corporation not acknowledged as debts :		
(a) Excise and customs matters	**5,314.49**	2,890.66
(b) Sales tax matters	**18,701.47**	17,698.59
(c) Others	**5,250.83**	7,848.73
These include **Rs. 5,188.78 million** (previous year Rs. 2,976.43 million) against which the Corporation has a recourse for recovery and **Rs. 2,335.07 million** (previous year Rs. 2,414.88 million) on capital account.		
iii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	**11.50**	10.24
(c) Share of interest in Joint Ventures	**584.65**	414.97

In addition to the above, in case of BPRL, Success fee of USD 905,000 (approximately Rs. 36.61 million) is payable to financial advisors on successful closure of the transaction involving the acquisition of EnCana Brasil Petroleo Limitada by the Company along-with an Indian partner. (50% of this amount is recoverable from the Indian partner).

26. **26.1** Foreign exchange losses amounting to **Rs. 741.78 million including Rs. Nil pertaining to share of interest in joint ventures** (previous year Rs. 553.15 million including Rs. Nil pertaining to share of interest in joint ventures) are regarded as adjustment to Interest cost and debited to Interest expenditure.

26.2 The amount of exchange difference adjusted to the carrying cost of fixed assets is **Rs. Nil** (previous year credited Rs. 6.05 million including Rs. Nil pertaining to share of interest in joint ventures).

26.3 The deferred premium amounting to **Rs. 2,011.20 million including Rs. Nil pertaining to share of interest in joint ventures** (previous year Rs. 2,419.34 million including Rs. Nil pertaining to share of interest in joint ventures) in respect of forward exchange contract will be recognised in the Profit and Loss Account of one or more subseqent accounting periods.

27. Managerial Remuneration :

		2006-07
	Rs. Million	Rs. Million
Salary and allowances	**7.70**	8.48
Contributions to Provident Fund and other funds	**0.88**	0.77
Other benefits	**8.01**	5.61
Share of interest in Joint Ventures	**4.91**	5.20
	21.50	20.06

28. Remuneration to Auditors :

(a) Audit fees	**1.74**	1.63
(b) Fees for other services-certification.	**1.01**	1.16
(c) Reimbursement of out of pocket expenses	**0.12**	0.13
(d) Share of Interest in Joint Ventures	**2.45**	0.97
	5.32	**3.89**

29. Research and development :

(a) Revenue Expenditure	**167.49**	109.12
(b) Capital Expenditure	**86.19**	75.05
	253.68	184.17

30. Figures have been regrouped wherever necessary.

CASH FLOW STATEMENT - (CONSOLIDATED)

	For the year ended 31st March	Notes	2008 Rs. Million	2007 Rs. Million
A	**Cash Flow from Operating Activities**			
	Net Profit Before tax and prior period items		**28,867.04**	35,669.74
	Adjustments for :			
	Depreciation		**12,921.04**	11,020.77
	Interest		**6,980.42**	5,756.80
	Foreign Exchange Fluctuations	Note 3	**(1,158.79)**	(972.23)
	(Profit) / Loss on Sale of fixed assets		**10.84**	12.25
	(Profit) / Loss on Sale of investments		**(479.10)**	421.69
	Income from Investments		**(5,505.32)**	(3,574.08)
	Dividend Received		**(241.47)**	(5.25)
	Other Non-Cash items		**1,963.64**	1,988.35
	Interest Income		**(9.03)**	(7.19)
	Operating Profit before Working Capital Changes		**43,349.27**	50,310.85
	(Invested in) / Generated from :			
	Trade Receivables		**1,236.21**	(2,266.62)
	Other Receivables		**(40,642.12)**	(4,103.51)
	Inventory		**(20,344.13)**	3,367.97
	Current Liabilities & Payables		**37,957.12**	17,308.96
	Cash generated from Operations		**21,556.35**	64,617.65
	Direct Taxes paid		**(9,566.34)**	(6,940.45)
	Cash flow before prior period items		**11,990.02**	57,677.20
	Prior Period Items		**1,333.43**	(1,974.46)
	Non-Cash Items		**5.39**	1,516.98
	Net Cash from Operating Activities		**13,328.84**	57,219.72

	For the year ended 31st March	Notes	2008 Rs. Million	2007 Rs. Million
B	**Net Cash Flow from Investing Activities**			
	Purchase of fixed assets		**(33,450.17)**	(20,478.89)
	Adjustment for retirement/reclassification of Fixed Assets		**—**	377.68
	Sale of fixed assets		**375.61**	36.89
	Capital Grant Received		**—**	21.93
	Miscellaneous Expenses written Off		**(47.30)**	(1.68)
	Adjustments to Pre Operating Expenses		**(948.60)**	(511.06)
	(Investment)/Sale of Investment in JVC's			
	Bharat Shell Ltd		**1,524.00**	—
	Central UP Gas Ltd.		**—**	—
	Premier Oil Cachar BV		**—**	(1.04)
	Cochin International Airport Ltd.		**—**	(52.50)
	DNP Ltd.		**(34.00)**	—
	Brahmaputra Cracker Polymer Ltd.		**(41.90)**	—
	(Investment)/Sale of Investment in Subsidiary Companies			
	Numaligarh Refinery Ltd.			
	Bharat PetroResources Ltd.			
	Advance for Investments		**(306.08)**	(4,353.18)
	Purchase of Investment		**(55,619.18)**	(52,932.13)
	Sale of Investments		**32,651.17**	15,795.31
	Income from Investment		**5,499.96**	3,573.32
	Dividend Received		**29.78**	5.25
	Interest Received		**8.67**	7.19
	Net Cash Flow on Investing Activities		**(50,261.61)**	(58,512.91)
C	**Net Cash Flow on Financing Activities**			
	Equity Investment		**—**	93.86
	Long term Borrowings		**17,127.32**	9,551.89
	Repayment of loans		**(3,022.81)**	(6,462.94)
	Interest paid		**(6,584.10)**	(5,547.81)
	Interim Dividend Paid		**—**	(2,169.25)
	Dividend Paid		**(4,337.99)**	(1,431.10)
	Corporate Dividend Tax		**(946.91)**	(627.04)
	Exchange difference on forward contracts		**98.51**	205.41
	Net Cash Flow on Financing Activities		**2,334.02**	(6,386.98)
D	**Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)**		**(34,598.75)**	(7,680.17)

CASH FLOW STATEMENT - (CONSOLIDATED) — (CONTD.)

For the year ended 31st March	2008 Rs. Million	2007 Rs. Million
Cash and Cash equivalents as at 31st March	**2007**	2006
Cash in Hand	**4,095.14**	2,309.77
Cash at Bank	**11,950.14**	3,251.59
Cash in transit	**101.26**	146.05
Cash Credit from scheduled banks	**(17,134.32)**	(19,205.42)
CBLOs	**(8,660.00)**	(8,650.00)
Unsecured loans from scheduled banks / ICDs / CPs	**(60,896.44)**	(40,994.47)
	(70,544.22)	(63,142.48)
Cash and Cash equivalents as at 31st March	**2008**	2007
Cash in Hand	**3,962.04**	4,094.90
Cash at Bank	**11,835.36**	12,044.23
Cash in transit	**91.77**	101.26
Cash Credit from scheduled banks	**(9,316.67)**	(17,492.56)
Unsecured loans from scheduled banks / ICDs / CPs	**(101,715.46)**	(60,910.48)
CBLOs	**(10,000.00)**	(8,660.00)
	(105,142.97)	(70,822.65)
Net change in Cash and Cash equivalents	**(34,598.75)**	(7,680.17)

Explanatory Notes to Cash Flow Statement

1 The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

2 In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.

3 The net profit / loss arising due to conversion of current assets / current liabilities / receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations" .

4 "Other Non-Cash items" include excess provisions written back, foreign exchange adjustments, diminution in value of investment, transfer to Capital reserve, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.

5 Figures of the previous year have been regrouped wherever necessary, to conform to current year's presentation.

For and on behalf of the Board of Directors
Sd/-
ASHOK SINHA
Chairman and Managing Director

Place : Mumbai
Date : 17th June, 2008

As per our attached report of even date
For and on behalf of
B.K. KHARE & CO.
Chartered Accountants
Sd/-
PADMINI KHARE KAICKER
Partner
Membership No. 44784

ANNEXURE F

DETAILS OF SUBSIDIARY COMPANIES

BALANCE SHEET AS AT 31ST MARCH, 2008

Rs. Million

	Numaligarh Refinery Limited	Bharat PetroResources Limited	Bharat PetroResources JPDA Limited
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	7,356.32	1,025.53	0.50
Reserves and Surplus	15,084.65	—	—
	22,440.97	1,025.53	0.50
2. Loan funds :			
Secured Loans	15.45	—	—
Unsecured Loans	760.72	—	—
	776.17	—	—
3. Deferred tax liability (net)	2,896.33	—	—
TOTAL	26,113.47	1,025.53	0.50
II. APPLICATION OF FUNDS			
1. Fixed Assets :			
Gross block	30,609.70	8.79	—
Less : Depreciation and amortisation	11,382.26	1.69	—
Net block	19,227.44	7.10	—
Capital work-in-progress	1,684.49	722.53	20.23
	20,911.93	729.63	20.23
2. Investments	1,248.06	0.50	—
3. Advance for Investments	—	26.10	—
4. Current assets, loans and advances :			
Inventories	9,213.78	—	—
Sundry debtors	4,795.66	—	—
Cash and bank balances	5,120.25	13.76	1.33
Other current assets	17.42	7.87	—
Loans and advances	1,099.27	471.48	4.96
	20,246.38	493.11	6.29
Less : Current liabilities and provisions :			
Liabilities	14,466.18	317.60	34.84
Provisions	1,826.72	—	—
	16,292.90	317.60	34.84
Net current assets	3,953.48	175.51	(28.55)
Miscellaneous Expenditure (to the extent not written-off)	—	20.02	0.16
Debit balance in Profit and Loss Account	—	73.77	8.66
TOTAL	26,113.47	1,025.53	0.50

Note : Bharat PetroResources JPDA Limited is a 100% subsidiary of Bharat PetroResources Limited.

DETAILS OF SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Rs. Million

	Numaligarh Refinery Limited	Bharat PetroResources Limited	Bharat PetroResources JPDA Limited
INCOME			
Sale of products & related income	**87,641.59**	—	—
Less: Excise Duty Paid	**(7,749.23)**	—	—
	79,892.36	—	—
Miscellaneous income	**565.64**	**8.46**	—
Increase/(Decrease) in Inventory	**740.16**	—	—
TOTAL	**81,198.16**	**8.46**	—
EXPENDITURE			
Purchase of products for resale	**3,012.64**	—	—
Raw materials consumed	**68,201.17**	—	—
Excise Duty on Inventory differential	**(48.65)**	—	—
Other Duties, taxes etc. and other charges applicable to products	**1,657.90**	—	—
Transportation	**1,063.93**	—	—
Consumption of stores, spares and materials	**111.31**	—	—
Power and Fuel	**14.32**	—	—
Employees' remuneration and other benefits	**540.88**	**14.70**	—
Interest	**232.38**	—	—
Other operating and administration expenses	**804.39**	**65.84**	**8.66**
Depreciation and Amortisation	**1,556.57**	**1.69**	—
TOTAL	**77,146.84**	**82.23**	**8.66**
Profit	**4,051.32**	**(73.77)**	**(8.66)**
Prior period income/(expenses) net	**79.68**	—	—
Profit before tax	**4,131.00**	**(73.77)**	**(8.66)**
Provision for Taxation			
- Current Tax	**933.41**	—	—
- Fringe Benefit Tax	**7.66**	—	—
- Deferred Tax (Net)	**(538.18)**	—	—
Profit after tax	**3,728.11**	**(73.77)**	**(8.66)**
Balance brought forward	**0.10**	—	—
Disposable Profit	**3,728.21**	**(73.77)**	**(8.66)**
Appropriations:			
Proposed dividend	**1,471.26**	—	—
Corporate Dividend Tax on proposed dividend	**250.04**	—	—
	1,721.30	—	—
Transfer to General Reserve	**2,006.81**	—	—
Balance Carried to Balance Sheet	**0.10**	**(73.77)**	**(8.66)**
Earnings per Share - Rs.			
- Basic & Diluted	**5.07**	**(0.72)**	**(173.17)**

Notes :

1. The Profit and Loss Account of Bharat PetroResources Limited is for the period 17th October 2006 to 31st March 2008.
2. The Profit and Loss Account of Bharat PetroResources JPDA Limited is for the period 28th October 2006 to 31st March 2008.

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary Company	Financial Year ending of the Subsidiary Company	No. of shares held by BPCL as on 31.3.2008	Extent of holding	The net aggregate amount of the Subsidiary Company's Profit/ (Loss) so far as it concerns the members of the Holding Company and not dealt with in the accounts of the Holding Company (Except to the extent dealt within Col.7 & 8)		The net aggregate amount of the Subsidiary Company's Profit/ (Loss) so far as it concerns the members of the Holding Company and dealt with in the accounts of the Holding Company	
1	2	3	4	5	6	7	8
				For the financial year ended on 31.3.2008 (Rs. In Million)	For the previous financial years since it became a Subsidiary Company (Rs. In Million)	For the financial year ended on 31.3.2008 (Rs. In Million)	For the previous financial years since it became a Subsidiary Company (Rs. In Million)
Numaligarh Refinery Ltd.(NRL) (w.e.f. 31.3.2001)	31.3.2008	453545998 shares of Rs.10/- each fully paid up	61.65%#	2298.53	8316.26	1133.86	2686.50
Bharat PetroResources Ltd. (BPRL) (w.e.f. 17.10.2006)*	31.3.2008	102552610@ shares of Rs.10/- each fully paid up	100%	(73.77)	—	—	—
Bharat PetroResources JPDA Ltd.+ (w.e.f. 28.10.2006)**	31.3.2008	49940@ shares of Rs.10/- each fully paid up	100%	(8.66)	—	—	—

Notes :

- # The Corporation has sold 1.31% of NRL shares to Oil India Ltd. on 22.06.07.
- @ In addition, six individuals who are nominees of BPCL each hold 10 shares of Rs.10 each of the Company.
- * Accounts are prepared from 17.10.2006 to 31.03.2008.
- ** Accounts are prepared from 28.10.2006 to 31.03.2008.
- + Subsidiary of BPRL.

For and on behalf of the Board of Directors

Sd/-
Ashok Sinha
Chairman & Managing Director

Sd/-
S.K.Joshi
Director (Finance)

Sd/-
N.Viswakumar
Company Secretary

Place: Mumbai
Date : 14th August, 2008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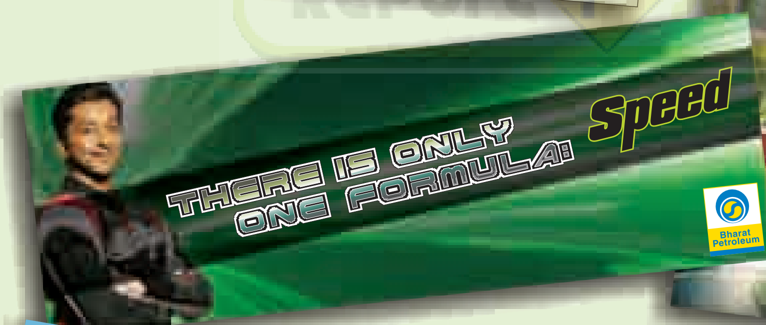
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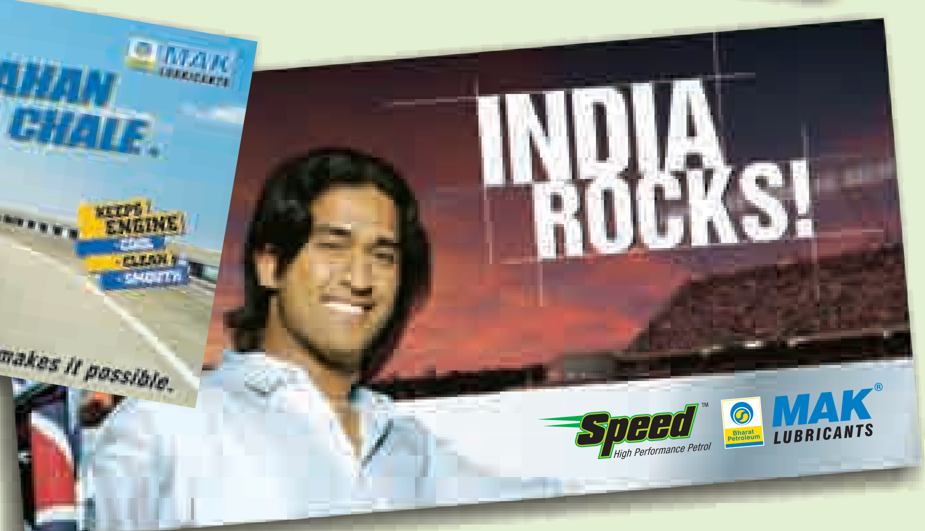
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